HULAMIN

Think future. Think aluminium.

Annual Financial Statements

for the year ended 31 December 2021

Contents

Directors' statement of responsibility and approval of the annual financial statements

The Board of Directors ("Board") is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 31 December 2021 of Hulamin Limited and its subsidiaries and the related financial information included in this report.

The Board considers that in preparing the Annual Financial Statements it has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards ("IFRS") that it considers to be applicable have been followed. The Board is satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Company and the Group at year-end. The directors further acknowledge that they are responsible for the content of the Integrated Report and its supplementary documents, as well as its consistency with the Annual Financial Statements.

The Board has responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the Annual Financial Statements comply with the relevant legislation.

The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Annual Financial Statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

The Company and its subsidiaries operate in a well-established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Based on the results of a formal documented review of Hulamin's system of internal controls and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing other than detailed in the Chief Executive Officer and Chief Financial Officer statement has come to the attention of the directors which indicates that, in all material aspects, Hulamin's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The opinion of the directors is supported by the Group's Audit Committee.

The going concern basis has been adopted in preparing the Annual Financial Statements. The Board has no reason to believe that the Group or any company within the Group will not continue on the going concern basis in the foreseeable future, based on forecasts, available cash resources and facilities. These Annual Financial Statements support the viability of the Company and the Group. We have also considered the potential implications of the ongoing impact of COVID-19 as well as the armed conflict in Eastern Europe in the assessment of the Group's ability to continue as a going concern and we believe it will not have a significant adverse effect on our business.

The financial statements have been audited by the independent auditing firm, Ernst & Young Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board and sub-committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unqualified report appears on pages 8 to 10.

The annual financial statements of the Group and Company set out on pages 11 to 89, which have been prepared on the going-concern basis, under the supervision of our Group Chief Financial Officer, Mark Gounder, were approved by the Board on 25 March 2022 and were signed on its behalf by:

Thabo Patrick Leeuw
Chairman

Pietermaritzburg, KwaZulu-Natal
25 March 2022

Richard Gordon Jacob
Chief Executive Officer

Certificate by Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 31 December 2021, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Sharon Ramoetlo
Company Secretary

Pietermaritzburg, KwaZulu-Natal
25 March 2022

Directors' statutory report

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2021.

Nature of business

Hulamin is a leading, focused, mid-stream aluminium semi-fabricator. It purchases primary aluminium and supplies its range of high value, niche rolled products and complex extrusions to manufacturers of finished products in South Africa and over 50 countries around the world. Hulamin's largest activity is aluminium rolling which contributes more than 80% to its revenue, with the balance comprising extruded products and other downstream products. Although the South African market is an important and growing element of Hulamin's business, a significant portion of rolled products are exported to regions such as Europe, North America, Middle East and Asia.

Financial results

The financial results of the Group are set out on pages 11 to 77 and of the Company on pages 78 to 89 of the Annual Financial Statements. The segmental analysis is included on pages 27 to 29. Pertinent extracts of these results are as follows:

- The net profit attributable to shareholders of the group for the year ended 31 December 2021 amounted to R591 million (2020: restated loss of R239 million).
- Profit per share amounted to 192 cents (2020: restated loss per share of 78 cents).
- Headline profit per share of 182 cents (2020: restated headline loss per share of 71 cents)
- Metal price lag ("MPL") gain of R426 million (refer note 2.1(b)) was recorded in 2021 (2020: gain of R112 million), as the Rand aluminium price increased during 2021.
- A R4.5 million gain (2020: loss R114 million) relating to aluminium futures and currency hedges not qualifying for hedge accounting in 2021.

Solvency and liquidity

The group's net borrowings were R651 million (2020: R751 million) and net debt was R703.5 million (2020: R818.8 million) as at 31 December 2021. This represents a net debt to equity ratio of 24% (2020:35%).

The annual financial statements presented on pages 11 to 89 set out fully the financial position, results of operations and cash flows for the year.

Impact of new accounting standards

The group adopted amendments to various accounting standards which were effective for the year ended 31 December 2021. These amendments did not have a material impact on the group results.

Full details of the impact of the adoption of these amendments have been disclosed in note 1.2 of the group financial statements.

Dividends

No dividends were declared for the year ended 31 December 2021 (2020: No dividends declared).

Share capital

There were no changes in the authorised and issued share capital during the year under review.

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

Details of the authorised, issued and unissued ordinary shares, the share repurchase, and the group's share incentive schemes are set out in notes 3.4 and 8.1 of the group financial statements.

Subsidiaries

Details of Hulamin Limited's interest in its subsidiaries are set out in note 6.1(c) of the group financial statements.

Directorate

Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration are reflected in note 8.3.1 of the group financial statements.

Directors' and prescribed officer's shareholdings

At 31 December 2021, the present directors and prescribed officer of the company beneficially held a total of 928 432 ordinary no par value shares, equivalent to 0.30 percent, in the company (2020: 928 432 ordinary no par value shares, equivalent to 0.30 percent, were held by directors).

Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in notes 8.3.2 and 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 25 March 2022 and 31 December 2021.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2021.

Auditors

Ernst & Young Inc. continued as auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 26 May 2021, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2022 financial year and it will be noted that Mr S Sithebe will be the individual registered auditor that will undertake the audit.

Secretary

The Company Secretary of Hulamin Limited is Sharon Ramoetlo. Her business and postal address appears in the corporate information section.

Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that no events other than the latest tax legislation changes noted below occurred:

On 23 February 2022, the South African Minister of Finance, Enoch Godongwana, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamin Group, the applicable tax rate will change from 28% to 27% with effect from 1 January 2023. On the basis that deferred tax is forward looking, for the financial year ending 31 December 2022, the rate applicable for deferred tax will be the reduced rate of 27%. In respect of the financial year ending 31 December 2022, the rate applicable for current tax will differ from the rate applicable for deferred tax.

Going concern

The consolidated financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The directors believe that the group has adequate resources to continue as a going concern for the foreseeable future.

Despite the deterioration in the group's liquidity position during 2021 to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities, Hulamin's committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due. The consolidated financial statements for the year ended 31 December 2021, therefore, have been prepared on the going concern basis.

Considerations used in making this assessment are set out in note 1.9 of the group financial statements.

Approval

The annual financial statements of the group and company set out on pages 11 to 89 have been approved by the board. Signed on behalf of the board of directors by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
25 March 2022

The CEO and CFO's responsibility statement

In terms of Section 3.84(k) of the JSE Limited Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 11 to 89, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS.
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code.

Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors and have tabled the planned remedial action.

Richard Gordon Jacob
Chief Executive Officer

Meganathan Gounder
Chief Financial Officer

Pietermaritzburg, KwaZulu-Natal
25 March 2022

Report of the audit committee

The Hulamin Group Audit Committee ("the committee" or "Audit Committee") presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended ("Companies Act"), and as recommended by King IV code on Corporate Governance ("King IV"), for the financial year ended 31 December 2021.

The Audit Committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the committee by the Board of Directors of the company.

The table below reflects a summary of the activities undertaken by the Audit Committee during the year under review, in terms of its terms of reference and in support of the Board, with the resulting material outcomes from these activities:

Activities	Outcome
Engagement with the Group's external auditor	• Ernst & Young Inc. ("EY") recommended for reappointment as auditor, and Sifiso Sithebe as the designated auditor, having satisfied itself of the capacity and independence of this firm and the designated auditor; • Ensured that there were no scope limitations in respect of audit work performed by EY and that there were no factors that impacted the independence of EY as the external auditors; • Determined the fees (note 2.4.5 of the financial statements) to be paid to the auditor and the auditor's terms of engagement; • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor; • Determined the nature and extent of any non-audit services that the auditor may provide to the Group, which in terms of our policy should not exceed 25% of the annual audit fee without specific Audit Committee approval; • Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group, which are of a material nature as provided for in the Group's non-audit services policy (no fees were paid to EY in respect of the provision of non-audit services for the year ended 31 December 2021); • Met separately with EY (without presence of management) three times this year; • Called for the necessary reports and letters issued by the Independent Regulatory Board of Auditors ("IRBA") of South Africa, a summary of the firm's monitoring processes and outcome of any legal or disciplinary proceedings which may have been instituted against the firm or designated auditor by the IRBA and satisfied itself that there were no areas of concern in respect of the reports, letters and summaries considered; and • Noted that the external auditor had expressed an unqualified opinion on the Annual Financial Statements for the year ended 31 December 2021.
Compliance with Companies Act requirements	• Prepared this report in compliance with section 94(7)(f) of the Companies Act. The full mandate, roles and responsibilities of the Committee, as per its formally adopted terms of reference, may be accessed within the Governance Report at: Corporate Governance | About | Hulamin • Stands ready to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, the internal financial controls of the Company and the Group or any related matter; and • Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.
Internal financial controls, internal audit and combined assurance	• Confirmed that, based on the results of the formal documented review of the design, implementation and effectiveness of the Group's systems of internal financial controls conducted by Group internal audit, approved outsourced internal audit service providers during the 2021 financial year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audits, other than reported further in this document, no material breakdowns in the functioning of the internal financial controls were noted during the year under review; • Confirmed that the results of the audit tests conducted indicate that the internal financial controls provide a sound basis for the preparation of financial statements; • Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the outsourced internal audit function; and • Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate.

Report of the audit committee continued

Activities	Outcome
Oversight of risk governance and risk management	• Monitored the implementation of the Group Risk Policy and Group Risk Plan as approved by the Board; • Reviewed and considered the activities and reports of the Group Executive Risk Forum and Tax Committee; • Reviewed and considered business unit risk reports presented to the Committee; • Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes; • Reviewed and recommended for approval the Group's risk appetite framework; • Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported on by the Group's internal and external auditors; • Reviewed and approved the adequacy of the Group's insurance cover; and • Confirmed its satisfaction with the status and effectiveness of risk governance in the Group and the adequacy of mitigation plans for material risks, recommending this as such to the Board.
Integrated reporting	• Will review the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements, prior to its release in due course; and • Considered financial-related tip-off reports and management actions to address these.
Assurance in respect of financial expertise of the Financial Director and finance function	• Confirmed the expertise and experience of the: – Chief Financial Officer, who performs the duties of the Company's Financial Director; and – Group's finance function and the senior members of management responsible for the Group's finance function.
Information & Technology ("I&T") Governance	• The committee oversees the governance of technology and information by setting the direction on how technology and information should be approached and addressed; • The committee reviewed the governance structure, key risks, internal controls and activities of the technology and information function during the year. The key matters which are being attended to relate to a cybersecurity control and resilience improvement programme, and an updated IT strategy, which includes the modernisation of Hulamin's application environment and a digitalisation programme • Performed a critical evaluation of the Group's I&T governance framework to better evaluate, direct and monitor Hulamin's I&T assets, as well as to align IT services with the Group's current and future business needs; and • Monitored the programme to mitigate infrastructure technology security risks and maturity being coordinated centrally and maintained oversight of the mitigation plans introduced to address the risk of material operational and disruptive incidents.

Committee members and attendance at meetings

The committee comprises three independent non-executive directors. All members of the committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations. The members were appointed by shareholders at the 2021 annual general meeting of the company in terms of section 94(2) of the Companies Act. The following table of attendance at Audit & Risk Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

Audit Committee	13 April 2021	23 August 2021	27 October 2021
N Maharajh (Chairman)	X	X	X
CA Boles	X	X	X
Dr B Mehlomakulu	X	X	X

The overall average attendance for the Audit & Risk Committee meetings held during the year was 100%.

Annual financial statements for the 2021 financial year

The Committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the Company and the Group for the year under review and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's report titled "Reporting back on the proactive monitoring of financial statements in 2021", dated 9 November 2021, and received management's confirmation that the necessary and appropriate actions were taken to ensure the findings and recommendations of this report are implemented and adopted within the Group as appropriate.

Internal controls confirmation

The committee has overseen a process guided by principle 15 of the King Code, by which Hulamin management and internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This process enabled the committee to ensure that Hulamin's internal assurance services and functions enable an effective control environment, and that these services and functions support the integrity of information for both Hulamin's internal decision- making and for Hulamin's external reports.

The CEO, CFO and the internal auditor, reviewed the controls over financial reporting, and presented their findings to the Audit Committee. During the current financial year management identified two significant deficiencies in internal control over financial reporting of the 463 controls tested throughout the year.

These significant deficiencies relate to certain controls with respect to the group's CWIP processes and the capitalisation of costs to inventory. Hulamin embarked upon a remediation project in 2021 arising from the ongoing internal controls assessment performed as reported on in the prior year Report of the Audit Committee. The outcome of this project was identification of areas where CWIP processes and controls are not as strong as they should be and a revision of the nature of costs capitalised to inventory at year-end, which resulted in a restatement of previously reported results as detailed in note 10 of the financial statements.

A formal remediation plan has been developed to address these control deficiencies identified. Management will report regularly to the audit committee with respect to their progress over the course of 2022.

The Committee satisfied itself that apart from the deficiency relating to inventory which necessitated a prior year restatement, that the CWIP deficiency had no material effect for the purposes of the preparation and presentation of the financial statements for the year under review and believe that Hulamin's internal controls can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements.

The Committee has received assurance from Group internal audit on the work performed in the financial year under review to support the Chief Executive Officer and Chief Financial Officer sign off on internal controls, as required by section 3.84(k) of the JSE Listings Requirements. This section requires a statement by the Chief Executive Officer and Chief Financial Officer, confirming that internal financial controls are in place to ensure that material information has been provided to effectively prepare the financial statements. Furthermore, confirmation is to be given that the internal financial controls are adequate, effective, and can be relied upon in compiling the Annual Financial Statements, and if not, that the deficiencies in the design and operational effectiveness of the internal financial controls have been disclosed to the Committee and the external auditors, and that the necessary remedial action has been taken.

The Committee is of the view, based on the representations made by Group internal audit, the Chief Executive Officer and the Chief Financial Officer, as well as the other related processes mentioned, that the internal financial controls in place for the Group were adequate and effective during the period under review.

Key audit matter

The following key audit matter were considered by the Audit Committee in relation to these Annual Financial Statements:

Matter	Outcome
Inventory valuation	The Audit Committee reviewed the assessment performed by management arising from managements ongoing internal controls enhancement on the nature of costs capitalised to inventory. This assessment was compared to the requirements of IAS2 Inventory, IAS8 Accounting policies, changes in accounting estimates and errors and IAS1 Presentation of financial statements. The conclusions reached by management were interrogated and corroborated.

Group scoping for external audit purposes

The scope of EY's audit for the financial year under review took into consideration the structure of the Group, the respective accounting processes and controls and the industry in which Hulamin operates. The assessment included consideration of financially significant components, based on indicators such as their contribution to Group assets, revenue and profit before tax.

Based on this assessment, three financially significant Hulamin's businesses were identified. These businesses were subjected to full scope audits of their financial reporting information, which in aggregate account for a significant or material portion of the Group's revenue, profit before tax and total assets. Two less financially significant businesses were identified and subjected to specific procedures on identified balances.

In aggregate, the financially significant businesses contribute 96% of Group's financial results (profit before tax revenue and total Group assets).

Going concern

The Committee has, for the year under review, considered the documented assessment by management of the going concern premise of the Group and has, following this consideration and the combined assurance obtained, recommended to the Board that the Group is a going concern and will remain so for the foreseeable future. As part of this going concern assessment, the Board considered the potential implications of the impact of an increasing LME price in order to determine that it will not have a significant adverse effect on Hulamin's business. This and other potential implications as outlined in note 1.9 of the financial statements will be assessed on a continuing basis.

Recommendation of the Annual Financial Statements for approval by the Board

At its meeting held on 24 March 2022, the Audit Committee reviewed and recommended the Annual Financial Statements for approval by the Board of Directors.

The Audit Committee is satisfied that, for the year under review, it has complied with its statutory responsibilities and the responsibilities assigned to it by the Board.

Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
24 March 2022

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INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF HULAMIN LIMITED

Report on the Audit of the Consolidated and Separate Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Hulamin Limited (the "Company") and its subsidiaries ('the Group') set out on pages 11 to 89, which comprise of the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of profit or loss and other comprehensive income , the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the consolidated and separate financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated and separate financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying consolidated and separate financial statements.

The Key Audit Matter applies only to the audit of the consolidated financial statements.

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<table>
<tr><th colspan="2">Inventory costing and related correction of error</th></tr>
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The Group manufactures and sells fabricated and semi-fabricated aluminium products. As at 31 December 2021, the Group held inventories amounting to R 3,033 million (2020: R 2,291 million) of which work in progress and finished goods were stated at R 536 million (2020: R 632 million) and R 1,082 million (2020: R 956 million) respectively in Note 4.2.
As stated in Note 10, a material prior year error related to the inappropriate allocation of indirect manufacturing costs (labour and overheads) to the cost of inventory resulted in the restatement of the prior year corresponding figures.
The manufacturing cost allocation to inventory and the related correction of the prior period was considered a matter of most significance to our current year audit due to:

The robust discussions we held with management;
The extent of audit effort in relation to inventory costing over the 2019, 2020, and 2021 financial years across the different business units within the Group; and
The extent of involvement of senior personnel on the audit engagement to address this matter.

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Our audit procedures included, among others:

We held discussions with management to understand the process they undertook in order to evaluate and quantify the impact on the prior year and current year financial statements
We considered management’s judgments and rationale for the allocation and non-allocation of indirect manufacturing costs to inventory.
For each of the financial periods relevant to the current year financial statements (2019, 2020, and 2021) and for each of the manufacturing business units, we:

Independently evaluated the appropriateness of manufacturing costs allocated to inventories based on the nature of those costs against the principles of IAS 2 - Inventories
Extended our sample size to test the accuracy of the categorisation of costs being allocated to inventories by vouching to supporting documents
Recalculated the cost allocation schedules and the quantification – where relevant - of the error over inventories, cost of sales and administrative and other expenses

We assessed the consistency of the nature of indirect manufacturing costs allocated to inventory between the 2019, 2020 and 2021 financial years
We evaluated the adequacy of the disclosures with reference to the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

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Other Information

The directors are responsible for the other information. The other information comprises the information included on pages 1 - 7 document titled “Hulamin Limited Annual Financial Statements for the year ended 31 December 2021”, which includes the Directors’ Statement of Responsibility and Approval of the Annual Financial Statements, Directors’ Statutory Report, the CEO and CFO’s Responsibility Statement, the Audit Committee’s Report and the Company Secretary’s Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or separate financial statements and our auditor’s report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and company or to cease operations, or have no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. There are no key matters which have not been disclosed.

Report on Other Legal and Regulatory Requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Hulamin Limited for 4 years.

Ernst & Young Inc.

Ernst & Young Inc.
Director: Sifiso Sithebe
Registered Auditor
Chartered Accountant (SA)

27 March 2022
Durban

Consolidated statement of financial position

as at 31 December 2021

	Notes	2021 R'000	2020 Restated R'000	2019 Restated R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5.1	**889 037**	813 097	813 570
Right-of-use assets	5.2	**37 476**	44 550	17 108
Intangible assets	5.3	**34 875**	33 162	13 157
Retirement benefit asset	8.2 (c)	**47 313**	63 084	95 560
Deferred tax asset	9.2	**129 586**	15 449	93 130
Other assets	5.4	**32 150**	8 482	–
Investments accounted for using the equity method	6.1(d)	**74 980**	58 635	–
		1 245 417	1 036 459	1 032 525
Current assets				
Inventories	4.2	**3 033 830**	2 291 860	2 143 510
Trade and other receivables	4.3 (b)	**1 442 901**	1 097 335	804 415
Derivative financial assets	7.1 (d)	**9 791**	7 708	88 661
Cash and cash equivalents	4.1	**149 474**	38 045	126 207
Other assets	5.4	**–**	4 523	–
Income tax asset		**102**	12 873	17 562
		4 636 098	3 452 344	3 180 355
Non-current assets classified as held for sale	6.2	**–**	14 250	14 250
Total assets		**5 881 515**	4 503 053	4 227 130
EQUITY				
Stated capital and consolidated shares	3.4	**1 817 627**	1 817 627	1 817 580
Treasury shares	3.4	**(35 863)**	(35 863)	(22 000)
BEE reserve		**28 547**	24 576	24 576
Employee share-based payment reserve		**48 170**	57 321	63 305
Hedging reserve	7.1 (d)	**(4 217)**	1 724	12 505
Retained Earnings		**1 068 611**	461 093	641 444
Total equity		**2 922 875**	2 326 478	2 537 410
LIABILITIES				
Non-current liabilities				
Lease liabilities	3.2	**41 456**	47 251	34 405
Deferred tax liability	9.2	**902**	2 070	16 990
Retirement benefit obligations	8.2	**205 931**	202 899	225 007
		248 289	252 220	276 402
Current Liabilities				
Trade and other payables	4.4	**1 892 276**	1 114 788	1 005 121
Current borrowings	3.1	**800 076**	789 053	352 083
Lease liabilities	3.2	**11 467**	20 514	12 088
Income tax liability		**5 837**	–	–
Derivative financial liabilities	7.1 (d)	**695**	–	44 026
		2 710 351	1 924 355	1 413 318
Total liabilities		**2 958 640**	2 176 575	1 689 720
Total equity and liabilities		**5 881 515**	4 503 053	4 227 130

Note 10 provides details with respect to the prior year restatement.

Consolidated statement of profit or loss
for the year ended 31 December 2021

	Notes	2021 R'000	2020 Restated R'000
Revenue from contracts with customers	2.3	**13 014 883**	8 548 878
Cost of goods sold	2.4.1	**(11 328 626)**	(7 636 339)
Cost of services provided	2.4.1	**(48 889)**	(20 730)
Gross profit		**1 637 368**	891 809
Selling, marketing and distribution expenses	2.4.1	**(653 478)**	(469 749)
Administrative and other expenses	2.4.1; 2.4.5	**(527 959)**	(421 147)
Impairment of loans in joint ventures reversed/(raised)	6.1(d)	**14 932**	(3 724)
Impairment losses reversed/(raised) on financial assets	4.3(c)	**4 430**	(5 068)
Impairment of property, plant and equipment and intangible assets	2.4.4	**–**	(8 432)
Gains/(losses) on financial instruments related to trading activities	2.4.2	**22 005**	(70 242)
Other gains	2.4.3	**40 704**	4 993
Operating profit/(loss)		**538 002**	(81 560)
Interest income	9.1	**9 356**	9 071
Interest expense	9.1	**(64 825)**	(45 965)
Profit/(loss) before share of joint venture profits		**482 533**	(118 454)
Share of net losses of joint ventures accounted for using the equity method	6.1(d)	**(2 258)**	(1 565)
Profit/(loss) before tax		**480 275**	(120 019)
Taxation	9.3	**110 985**	(119 490)
Net profit/(loss) for the year attributable to equity holders of the company		**591 260**	(239 509)
Basic earnings/(loss) per share (cents)	2.2	**192**	(78)
Diluted earnings/(loss) per share (cents)	2.2	**180**	(78)

Note 10 provides details with respect to the prior year restatement.

Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 R'000	2020 Restated R'000
Net profit/(loss) for the year attributable to equity holders of the company		**591 260**	(239 509)
Other comprehensive (loss)/income for the year		**(3 567)**	19 637
Items that may be reclassified subsequently to profit or loss:		**(5 941)**	(10 781)
Cash flow hedges transferred to the statement of profit or (loss)	7.1(d)	**(34 354)**	210 379
Cash flow hedges remeasured	7.1(d)	**32 430**	(213 515)
Cost of hedging	7.1(d)	**(6 328)**	(11 838)
Income tax relating to these items		**2 311**	4 193
Items that will not be reclassified to profit or loss:		**2 374**	30 418
Remeasurements of retirement benefit obligations	8.2(d),(e)	**3 956**	31 399
Remeasurements of retirement benefit asset	8.2(c)	**(41)**	153
Income tax relating to these items		**(1 541)**	(1 134)
Total comprehensive profit/(loss) for the year attributable to equity holders of the company		**587 693**	(219 872)

Note 10 provides details with respect to the prior year restatement.

Consolidated cash flow statement

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from/(used in) operations	A	**288 158**	(280 184)
Interest paid		**(68 382)**	(60 438)
Interest received		**3 763**	8 358
Income taxes refund/(paid)		**15 232**	(28 231)
Net cash inflow/(outflow) from operating activities		**238 771**	(360 495)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	**(141 844)**	(131 432)
Additions to intangible assets	5.3	**(12 599)**	(8 848)
Proceeds on disposal of property, plant and equipment		**55 000**	–
Proceeds from other assets (lease receivable)	5.4	**–**	2 950
Proceeds from repayments of loan granted to investment accounted for using equity method		**1 893**	20 496
Net cash outflow from the group as a result of loss in control of Isizinda		**–**	(7 346)
Net cash outflow from investing activities		**(97 550)**	(124 180)
Cash flows before financing activities ("free cash flow")		**141 221**	(484 675)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings*	3.4	**11 023**	436 970
Payment of principal portion of lease liabilities	3.3	**(15 352)**	(11 668)
Payment of customs deposits		**(32 150)**	–
Acquisition of treasury shares	3.5	**–**	(13 816)
Net cash (outflow)/inflow from financing activities		**(36 479)**	411 486
Net increase/(decrease) in cash and cash equivalents		**104 742**	(73 189)
Cash and cash equivalents at beginning of year	4.1	**38 045**	126 207
Effects of exchange rate changes on cash and cash equivalents	2.4.2	**6 687**	(14 973)
Cash and cash equivalents at end of year	4.1	**149 474**	38 045

* *Movement in the current borrowings represents the net movement on the Nedbank facility which is drawn down or settled on a daily basis.*

Notes to the consolidated cash flow statement

for the year ended 31 December 2021

		Notes	2021 R'000	2020 Restated R'000
A	**Cash generated from operations**			
	Profit/(loss) before tax		**480 275**	(120 018)
	Net interest cost		**55 469**	36 894
	Operating profit/(loss)		**535 744**	(83 124)
	Adjusted for non-cash flow items:			
	Depreciation of property, plant and equipment	5.1	**68 131**	48 392
	Depreciation of right-of-use assets	5.2	**7 585**	8 691
	Amortisation of intangible assets	5.3	**10 884**	7 153
	Impairment of financial assets		**(4 430)**	5 068
	(Reversal of impairment)/Impairment of loans to joint ventures		**(14 932)**	3 724
	Impairment of property, plant and equipment and intangible assets	2.4.4	**–**	8 432
	(Profit)/loss on disposal of property, plant and equipment	2.4.3	**(39 505)**	–
	Loss arising from loss of control in Isizinda	2.4.3	**–**	11 207
	Gain on liquidation of pension fund		**–**	(16 000)
	Share of net loss losses of Joint Ventures accounted for using the equity method	6.1(d)	**2 258**	1 565
	Net movement in retirement benefit asset and obligations	8.2	**22 718**	41 921
	Value of employee services received under share schemes	2.4.1(a)	**8 703**	22 756
	Foreign exchange losses on cash and cash equivalents	2.4.2	**(6 687)**	14 973
	Currency exchange translation on foreign debtors and creditors	2.4.2	**(8 062)**	(5 482)
	Other non-cash items		**(3 086)**	(3 253)
	Cash generated before working capital changes		**579 321**	66 023
	Changes in working capital	B	**(291 163)**	(346 207)
	Cash generated/(used in) from operations		**288 158**	(280 184)
B	**Changes in working capital**			
	Increase in inventories		**(741 970)**	(148 551)
	Increase in trade and other receivables		**(324 424)**	(277 533)
	Increase in derivatives		**6 864**	21 953
	Increase in trade and other payables		**768 367**	57 924
			(291 163)	(346 207)

Note 10 provides details with respect to the prior year restatement.

Consolidated statement of changes in equity

for the year ended 31 December 2021

Note	Stated capital and consolidated shares A R'000	Treasury shares B R'000	Hedging reserve C R'000	Employee share-based payment reserve D R'000	BEE reserve E R'000	Retained earnings F R'000	Total equity R'000
Balance at 31 December 2019 Restated	1 817 580	(22 000)	12 505	63 305	24 576	641 444	2 537 410
Net loss for the year	–	–	–	–	–	(239 509)	(239 509)
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	–	–	(10 781)	–	–	–	(10 781)
– retirement benefit assets and obligations	–	–	–	–	–	30 418	30 418
Equity settled share-based payment schemes:							–
– Value of employee services (note 2.4.1)	–	–	–	22 756	–	–	22 756
– Settlement and forfeiture of employee share incentives	–	–	–	(28 740)	–	28 740	–
– Vesting of A1 ordinary shares	47	(47)	–	–	–	–	–
– Acquisition of treasury shares	–	(13 816)	–	–	–	–	(13 816)
Dividend paid	–	–	–	–	–	–	–
Balance at 31 December 2020 Restated	1 817 627	(35 863)	1 724	57 321	24 576	461 093	2 326 478
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**591 260**	**591 260**
Other comprehensive income net of tax:							
– cash flow hedges	**–**	**–**	**(5 941)**	**–**	**–**	**–**	**(5 941)**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**2 374**	**2 374**
Equity settled share–based payment schemes:							
– Value of employee services (note 2.4.1)	**–**	**–**	**–**	**4 733**	**3 971**	**–**	**8 704**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(13 884)**	**–**	**13 884**	**–**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2021	**1 817 627**	**(35 863)**	**(4 217)**	**48 170**	**28 547**	**1 068 611**	**2 922 875**

Note 10 provides details with respect to the prior year restatement.

Notes to the statement of changes in equity

for the year ended 31 December 2021

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidation shares represent shares held under various BEE transactions. Further information of the group's stated capital and consolidation shares is presented in note 3.4.

B: Treasury shares

Shares in the company held by wholly-owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains and losses are recognised in the group statement of profit or loss or the statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. During the year the group did not purchase any shares (2020: 7 638 806 shares). The total cost of shares acquired in 2020 amounted to R13.8 million. The total deduction in paid-up capital in 2020 was R35.8 million.

C: Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to revenue as part of the hedging relationship or reclassified to profit or loss as appropriate. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in revenue when it is recognised. Further analysis of the reserve is presented in note 7.1(d)(iii).

D: Employee share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. On settlement, the value of the reserve is transferred to retained earnings. A deferred tax asset on outstanding grants is recognised where the grants are in-the-money, with the deferred tax on the portion above the fair value of the option being recognised directly in retained earnings. Further details of share options outstanding are provided in notes 8.1(c) and 8.1(d)(ii).

E: BEE reserve

The BEE reserve is used to recognise the grant date fair value of options issued to identified BEE participants and Isizinda BEE participants. Further details of these transactions are provided in notes 8.1(d)(i) and 8.1(d)(ii).

F: Retained earnings

The retained earnings represent the cumulative historic profit and loss reinvested in the group. No restrictions exist on the use of the retained income.

Notes to the consolidated financial statements
for the year ended 31 December 2021

1. General

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, the requirements of the Companies Act, No 71 of 2008, as amended, and the Listing Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2(a) to the financial statements.

The consolidated financial statements are prepared using the historical cost basis except for certain items as set out in the accounting policies which follow (see the accounting policies relating to derivative financial instruments, share-based payments, retirement benefit assets and obligations and non-current assets held for sale). The consolidated financial statements are presented in South African Rands and all values are rounded to the nearest thousand (R'000), except when otherwise indicated.

The consolidated financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.9).

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to offset exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Accounting policies (as shown throughout this report) are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. Changes in accounting policies resulting from the initial application of a standard or an interpretation are accounted for in accordance with the transitional provisions in the accounting standard. If no such guidance is given, they are applied retrospectively.

1.2 New accounting standards

(a) New and revised standards and interpretations in issue and effective which are applicable to the group

Pronouncement	Effective date	Impact
Interest rate Benchmark Reform- Amendments to IFRS 9, IAS 39, IFRS 7. IFRS 4 and IFRS 16 (the amendments) (Phase 2)	Financial years beginning on or after 1 January 2021.	The amendments made to IFRS 7 – Financial Instruments: Disclosures, IFRS 9 – Financial Instruments and IAS 39 – Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect all companies in all industries. This amendment did not impact Hulamin as some of the hedging instruments currently held are linked to JIBAR and there has been no reform to this benchmark rate in the current year nor is it expected in the near future.
Amendments to IFRS 16, 'Leases' – COVID-19 related rent concessions	Financial years beginning on or after 1 June 2020.	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This did not have a material impact on the group financial statements.

Other than the above, there were no new standards which were in issue and effective from 1 January 2021, applicable to Hulamin Limited.

1. General continued

1.2 New accounting standards continued

(b) New and revised IFRS in issue but not yet effective

Hulamin will adopt these standards on their effective dates:

Pronouncement	Effective date	Impact
IFRS 17, 'Insurance contracts'	Financial years beginning on or after 1 January 2023	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Hulamin does not expect this to have a material impact on the group financial statements.
Classification of liabilities as Current or Non-current – Amendments to IAS 1	Effective date is the 1 January 2023 with a caveat that in July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Hulamin does not expect this to have a material impact on the group financial statements.
A number of narrow-scope amendments to IFRS 3, IAS 8, IAS 12, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual periods beginning on or after 1 January 2022 IAS 8 and IAS 12 amendments are effective for annual periods beginning on or after January 2023	**Amendments** to IFRS 3, 'Business Combinations' updated a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. **Amendments** to IAS 8, 'Accounting policies, changes in accounting estimates and errors' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Further clarification is provided on how entities use measurement techniques and inputs to develop accounting estimates. **Amendments** to IAS 12, 'Income Taxes' which narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. **Amendments** to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the assets for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. **Amendments** to IAS 37, 'Provisions, contingent liabilities, contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual **improvements** make minor amendments to IFRS 1, 'First-time adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and Illustrative Examples accompanying IFRS 16, 'Leases'. Hulamin does not expect these amendments to have a material impact on the group financial statements.

1.3 Fair value measurement

The group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Non-current assets classified as held for sale (note 6.2)
- Derivative assets and liabilities (note 7.1)
- Impairment of non-financial assets (note 2.4.4)

1.4 Accounting for assets and liabilities

(i) Recognition

Assets and liabilities are recognised when it is probable that future economic benefits associated with them will flow to and from the group respectively, and when their costs or fair values can be measured reliably.

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets are recognised based on trade dates.

(ii) Derecognition

Financial assets, or parts thereof, are derecognised when the contractual rights to receive the cash flows have expired, been transferred and/or control has passed.

All other assets are derecognised on disposal or when they no longer meet the definition of an “asset” as prescribed by the Framework. Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price as disclosed in note 2.3 Revenue from contracts with customers.

Initial recognition and measurement

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are ‘solely payments of principal and interest (SPPI)’ on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group’s financial assets at amortised cost includes trade receivables, long-term deposit and cash and cash equivalent. Financial assets at fair value through profit or loss are subsequently measured fair values at valuation and the associated gains and losses are taken to profit or loss.

1. General continued

1.5 Financial instruments – initial recognition and subsequent measurement continued

(i) Financial assets continued

Financial assets at fair value through OCI are subsequent measured fair values at valuation and the associated gains and losses are taken OCI.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment
For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, at amortised cost, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss, or
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The accounting policy on derivatives is detailed in note 7.1.

1.6 Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Methods of depreciation, useful lives and residual values of assets

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values. The estimated useful lives and residual values are assessed annually taking into account technological innovation, product life cycles, maintenance programmes and projected disposal values. Refer note 5.1 and 5.3.

(ii) Post-retirement benefit obligations

Actuarial valuations of post-retirement benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, health care costs, inflation rates and salary increments.

Management experts are used to assist with valuations of post-employment benefit obligations. Refer note 8.2.

(iii) Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 8.1 of the group financial statements. Management experts are used to determine the grant date fair value of options granted. Management assesses the likelihood of achieving non-market performance measures based on approved budgets and the five-year business plan.

(iv) Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 5.1 and 5.2 of the group financial statements were estimated at period end in terms of IAS 36.

The critical estimates and assumptions used in the recoverable amount calculations in respect of the assets of the group are disclosed in note 2.4.4 of the group financial statements. Forward-looking financial information is based on board-approved business plans.

(v) IFRIC 23 Uncertainty of Income Tax Treatment

Interpretation IFRIC 23 clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. In applying IFRIC 23 the group assessed the risk profile of all uncertain tax matters based on the following criteria:

- the outcome of similar historical or current audits within the group;
- consensus opinions from expert advisers regarding areas and levels of tax risk; and
- changes in tax law impacting existing or future tax matters.

Based on this assessment, the potential cash tax outflow for each uncertain tax matter is quantified using the applicable statutory tax rate and applying a risk probability factor (exercising judgement on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probalised risk values are consolidated in arriving at the group's total estimated uncertain tax provision.

(vi) Investment in Isizinda Aluminium (Pty) Ltd ("Isizinda")

The group holds a 38.7% (2020: 38.7%) interest in Isizinda. Management have determined that the investment in Isizinda does not represent control in terms of the requirements of IFRS 10.

The significant judgements applied in determining whether Hulamin has control or joint control over Isizinda were determined with reference to Isizinda's relevant activities and which parties could direct those activities as outlined in the memorandum of incorporation and the shareholders agreement. The relevant activities are those that significantly impact the economic performance or returns over Isizinda.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations Proprietary Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method. For more detail on the investment in joint venture refer note 6.1 (d).

(vii) Determining the lease term of contracts with renewal and termination options

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The group included the renewal period as part of the lease term for leases of buildings. The group typically exercises its option to renew for these leases because these buildings are required for staff occupation. For more details on leases refer notes 3.3 and 5.2.

(viii) Non-current assets classified as held for sale

Critical assumptions and estimates have rendered certain assets belonging to the group to meet the criteria to be classified as held for sale at that date for the following reasons:

- The assets are available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification; and
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage. For more details on the assets held for sale refer to note 6.2.

(ix) Taxes

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on the recognised and unrecognised portion of the deferred tax is disclosed in note 9.2.

(x) Leases – Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group has used its incremental borrowing rate with reference to the revolving loan facility. Refer note 3.3.

1. General continued

1.6 Significant accounting judgements, estimates and assumptions continued

(xi) Provision for expected credit losses of trade receivables

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. When forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year this can lead to an increased number of defaults in the manufacturing sector, and the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer note 4.3(c).

(xii) Revenue recognition – Estimating variable consideration for returns and volume rebates

The group estimates variable considerations to be included in the transaction price for the sale of goods with volume rebates. Refer to note 2.3.

1.7 Foreign currencies

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the exchange rate ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss in the period in which they arise, except when deferred in equity as qualifying cash flow hedges. The company and group's functional currency and presentation currency respectively is the South African rand.

1.8 Contingent liabilities

The group has no contingent liabilities as at 31 December 2021 (2020: RNil).

1.9 Going concern

The financial statements of the Hulamin Group for the year ended 31 December 2021 have been prepared on the going concern basis. The factors that have been considered in reaching this conclusion are as follows:

- Hulamin's 2021 financial performance and position as documented in detail throughout these financial statements
- Trading conditions in 2021 and outlook
- Liquidity and access to funding facilities
- Indicators of uncertainty
- Scenarios and forecasts
- Litigation and claims

These matters are considered below:

(a) 2021 financial performance and position

The Group's performance and position has been summarised in the table below:

Earnings		2021	2020 Restated
Operating profit/(loss) before interest and tax	R'000	**538 002**	(81 560)
Net profit/(loss)	R'000	**591 260**	(239 509)
Profit/(loss) per share (Basic)	cents	**192**	(78)
Headline earnings/(loss) per share (Basic)	cents	**182**	(71)
Normalised EBITDA	R'000	**152 345**	(98 491)
Cash flow and financial position			
Cash flow from operating activities	R'000	**238 771**	(360 495)
Cash flow before financing activities ("free cash flow")*	R'000	**141 221**	(484 675)
Net debt	R'000	**703 525**	818 772
Equity	R'000	**2 922 875**	2 326 478
Net debt/equity ratio (note 7.4)	%	**24.1**	35.2
Net current assets	R'000	**1 925 747**	1 527 988
Current ratio	times	**1.7**	1.8

* *Refer the cashflow statement.*

Profit and earnings performance

Hulamin Rolled Products

The impact of Covid-19 on Hulamin Rolled Products was less pronounced in 2021 than it was in 2020. Although operational and market disruptions were experienced in 2021, the level of lockdown applied in South Africa was less severe than in 2020. Notably the lower domestic demand for beverage can products (owing to the ban on alcohol sales for part of 2020) was not repeated in 2021. Consequently, the increase in debt levels during 2020 has not repeated in 2021.

In December 2020, the South African government announced that a 15% import duty on rolled aluminium products would be imposed from January 2021. This contributed towards an increase in demand for local Rolled Products in 2021.

Hulamin Extrusions

2021 was a year of two contrasting halves. The strong demand evidence in the latter half of 2020 continued into the first half of 2021. Although there were still some minor disruptions due to the ongoing Covid-19 waves, the business was able to take advantage of the strong order book and translate that into strong financial performance.

By contrast the second half of the year was highly disrupted. In July the business lost a week of production due to the unrest in KZN. Volumes in the second half were further impacted by the global microchip issue which impacted volumes from the automotive sector. A strike in the Metal and Engineering sector in October resulted in further lost volumes as many customers, especially in the greater Johannesburg area were affected. In spite of these challenges and low volume the business was still able to return financial performance for the second half in line with business plan.

Liquidity and solvency

The group's net borrowings were R651 million (2020: R751 million) and net debt was R703.5 million (2020: R818 million) at 31 December 2021. This represents a net debt to equity ratio of 24% (2020: 35%).

(b) Trading conditions in 2022 and outlook

The trading conditions and outlook for 2022 are as follows:

Domestic market

Strong local demand for aluminium rolled products has continued through 2021 and into 2022. Demand is expected to remain robust in most product categories, except automotive heat exchanger material where demand is expected to remain muted as a result of ongoing silicon chip shortages amongst automotive manufacturers. Demand for can sheet material to support the local can beverage industry remains particularly strong. Foil and other packaging related aluminium products have also seen an increase in demand in the second half of 2021 and early 2022, which is expected to continue.

International market

Hulamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of lower value, distributor products referred to as common alloy. Global demand for aluminium rolled products has ramped up substantially during 2021 and looks set to continue through 2022 and beyond as economies recover from Covid-19.

New emissions regulations in most markets combined with increased consumer environmental conscientiousness is driving substitution in the automotive and packaging industries from steel, plastic and glass to aluminium as a "greener", more recyclable substrate. In addition to strong global demand, supply deficits of aluminium rolled products in many regions to which Hulamin exports material, along with relatively favourable trade access into the USA and EU is providing support for Hulamin's export sales.

(c) Liquidity and funding

Hulamin's facilities of R1.5 billion comprise a committed working capital facility of R1.2 billion and a borrowing facility ("GBF") of R300 million. The GBF* is comprised of direct facilities of R200 million and indirect facilities (letters of credit and guarantee) of R100 million. This committed working capital facility was extended to September 2023 and repayment in 6 equal monthly instalments begins from 1 April 2023.

The utilisation of the working capital facility is restricted to the underlying eligible inventory and receivables.

The following financial covenants are measured at each 6-month reporting period in respect of the Hulamin Group:

Covenant	Required level
Current ratio	>1.25 times
Debt to equity ratio	<0.50 times

The following additional security ratios are measured monthly in respect of Hulamin Operations Proprietary Limited:

Covenant	Required level
Stock cover ratio	>1.50 times
Collateral cover ratio	>1.20 times

As noted above, Hulamin closed 2021 with a strong balance sheet, with net debt of R703 million and a net debt to equity ratio of 24% and headroom with respect to its financial covenants and in relation to its direct borrowing facilities of R427 million.

1. General continued

1.9 Going concern continued

(c) Liquidity and funding continued

Liquidity is expected to be a challenge in 2022 due to rising working capital as a result of the rising aluminium price.

Hulamin have the following measures in place to improve the Group's liquidity position:

- Management of the cash cycle by way of increased sales to customers offering supply chain financing programmes and metal procurement on short commitment cycles;
- Deferral of non-urgent operational and capital expenditure;
- Improved supplier credit facilities.

(d) Indicators of uncertainty

With the armed conflict in Eastern Europe adding to pre-existing energy shortages, the US Dollar price of aluminium has risen sharply in the first quarter of 2022. This has resulted in increases in Hulamin's working capital and therefore in Hulamin's net debt during the first quarter of 2022. The volatile geo-political climate may continue to impact commodity prices and exchange rates. In these uncertain times, Hulamin manages its liquidity by ongoing modelling of scenarios and their implications for net debt relative to borrowing facilities and loan covenants. This is combined with regular engagement with funders, to ensure adequate facility availability, and with suppliers and customers to ensure that payment terms and credit limits are appropriate. A suite of less preferred actions could include temporary curtailment of operational activity if required to maintain liquidity.

Hulamin's sales are largely based on or denominated in US Dollars or Euros, whilst most of Hulamin's operating costs are incurred in Rand. As such, the Group's results and financial condition will be impacted if there is a material change in the Rand/US Dollar exchange rate. During December 2021, Hulamin Rolled Products hedged part of its US Dollar and Euro conversion margins by buying currency call options. Hulamin will therefore benefit from undue Rand weakness in 2022 without the risk of undue Rand strength.

High levels of volatility in currency levels and aluminium prices may also impact on cash flow and profitability through the metal price lag ("MPL"). Hulamin suspended its MPL hedging programme at the end of March 2020 in order to reduce potential further cash flow volatility from the commodity and currency hedges.

Further, Hulamin's operations may be adversely affected by demand disruptions or production stoppages caused by supply shortages, Covid-19 quarantining and deep cleaning activities, or labour absenteeism.

An uncertainty in the 12-month horizon which could impact demand, production, currency and commodity levels relates to the combination of the following:

(i) Continuity of primary aluminium supply from South32

The primary metal supply agreement with South32 will terminate on 31 December 2024. This termination date was contingent upon all required approvals for the agreement on electricity supply between Eskom and South32. During 2021 these approvals were granted and the termination date is now firm. At the termination date the metal supply agreement is subject to renegotiation.

(ii) The outcome of the US Anti-dumping ("AD") petition against imports of common alloy sheet

Towards the end of 2020, the US Department of Commerce ("DoC") levied preliminary anti-dumping duties on South Africa on imports of aluminium common alloy sheet into the USA. For the period 2018 to 2020, Hulamin's average sales of common alloy sheet into the US approximated 12% of Hulamin's total sales of rolled products; and represented less than 2% of the US common alloy sheet market. Hulamin's sales of common alloy sheet within the scope of the anti-dumping investigation has subsequently reduced in 2021 to less than 5% of total sales.

The rate was finalised at 8.85% in April 2021, is considered favourable in comparison with those of Hulamin's main competitors who are located outside of the US. In terms of the US DoC's process, any party to the anti-dumping investigation, or any Domestic US producer, can request an administrative review of an importer's anti-dumping rate prior to the anniversary month of the final determinations. Should a request be lodged by this date, the US DoC will commence the administrative review in April 2022, the outcome of which will be announced in April 2023. Any revised AD rate would be enacted retrospectively to common alloy sheet imports for the period April 2021 to March 2022.

(e) Scenarios and forecasts

Management considered various scenarios through to the end of 2022, which assessed the impact of a moving aluminium price and moving ZAR/USD exchange rate on Hulamin's liquidity.

These scenario's included ranges in the aluminium price of $3 000/ton to $4 000/ton and rand/dollar exchange rate movements of R15.00 to R16.50. For each of these scenario's Hulamin has determined an appropriate action plan to address any impact on liquidity.

(f) Litigation and claims

The company is not engaged in any significant legal action nor has it any material contingent liabilities which could have bearing on the ability to continue operations in the forecast period.

2. Performance: measures used to assess performance

2.1 Reportable segment analysis

(a) Accounting policies and significant judgements

Description of segments and principal activities

The group's reportable segments have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and are predominantly based on business segment hierarchy which is representative of the internal reporting used for management purposes.

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions.

The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products.

The Hulamin Extrusions segment manufactures and supplies extruded aluminium products.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. Transactions between segments are carried out at arm's length and are eliminated on consolidation. Transactions which represent the sale of a particular segment's finished goods to another segment do not occur and as such no inter-segment revenue is earned.

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

2. Performance: measures used to assess performance continued

2.1 Reportable segment analysis continued

(b) Segmental revenue, earnings and other disclosures

	2021			2020 Restated		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from contracts with customers: External	**12 297 688**	**717 195**	**13 014 883**	8 005 726	543 152	8 548 878
Timing of revenue recognition:						
– At a point in time	**12 248 800**	**717 195**	**12 965 995**	7 984 996	543 152	8 528 148
– Over time	**48 889**	**–**	**48 889**	20 730	–	20 730
Earnings						
EBITDA**	**539 523**	**85 079**	**624 602**	(13 878)	4 986	(8 892)
Impairment of property, plant and equipment and intangibles	**–**	**–**	**–**	–	(8 432)	(8 432)
Depreciation and amortisation	**(79 574)**	**(7 026)**	**(86 600)**	(60 888)	(3 348)	(64 236)
Operating profit/(loss)	**459 949**	**78 053**	**538 002**	(74 766)	(6 794)	(81 560)
Interest received	**9 356**	**–**	**9 356**	9 071	–	9 071
Interest paid	**(57 557)**	**(7 268)**	**(64 825)**	(34 770)	(11 195)	(45 965)
Profit/(loss) before share of joint venture profits	**411 748**	**70 785**	**482 533**	(100 465)	(17 989)	(118 454)
Share of net losses on joint ventures accounted for using the equity method	**(2 258)**	**–**	**(2 258)**	(1 565)	–	(1 565)
Profit/(loss) before tax	**409 490**	**70 785**	**480 275**	(102 030)	(17 989)	(120 019)
Taxation	**88 321**	**22 664**	**110 985**	(119 490)	–	(119 490)
Net profit/(loss) for the year	**497 811**	**93 449**	**591 260**	(221 520)	(17 989)	(239 509)
Reconciliation of net profit/(loss) (used in calculating earnings per share) to headline earnings/(loss)						
Net profit/(loss) for the year	**497 811**	**93 449**	**591 260**	(221 520)	(17 989)	(239 509)
(Profit)/loss on disposal of property, plant and equipment	**1 311**	**(40 816)**	**(39 505)**	(13)	–	(13)
Impairment of property, plant and equipment and intangibles	**–**	**–**	**–**	–	8 432	8 432
Loss arising from loss of control in Isizinda	**–**	**–**	**–**	11 207	–	11 207
Proportional share of profit on disposal of property, plant and equipment by Joint venture	**(2 734)**	**–**	**(2 734)**	–	–	–
Tax effect	**(367)**	**11 428**	**11 061**	4	–	4
Headline earnings/(loss) for the year	**496 021**	**64 061**	**560 082**	(210 322)	(9 557)	(219 879)
Reconciliation of headline earnings/(loss) to normalised EBITDA**						
Headline earnings/(loss) for the year	**496 021**	**64 061**	**560 082**	(210 322)	(9 557)	(219 879)
Restructuring costs	**(1 385)**	**(446)**	**(1 831)**	–	12 673	12 673
Metal price lag	**(425 927)**	**–**	**(425 927)**	(111 901)	–	(111 901)
Tax effect	**119 647**	**125**	**119 772**	31 332	(3 548)	27 784
Normalised headline earnings/(loss) (note A)	**188 356**	**63 740**	**252 096**	(290 891)	(432)	(291 323)
Interest paid	**57 557**	**7 268**	**64 825**	34 770	11 195	45 965
Interest income	**(9 356)**	**–**	**(9 356)**	(9 071)	–	(9 071)
Taxation	**(207 601)**	**(34 217)**	**(241 818)**	88 354	3 348	91 702
Normalised EBIT* (note A)	**28 956**	**36 791**	**65 747**	(176 838)	14 111	(162 727)
Depreciation and amortisation	**79 574**	**7 026**	**86 600**	60 888	3 348	64 236
Normalised EBITDA (note A)**	**108 530**	**43 817**	**152 347**	(115 950)	17 459	(98 491)
Total assets	**5 602 716**	**278 799**	**5 881 515**	4 302 208	200 846	4 503 054
Total liabilities	**2 840 337**	**118 303**	**2 958 640**	2 040 199	136 376	2 176 575

* *Earnings before interest and taxation*

** *Earnings before interest, taxation, depreciation and amortisation and impairment of property, plant and equipment and intangible assets.*

	2021			2020 Restated		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Other disclosures						
Cash additions to property, plant and equipment and intangible assets	**132 792**	**21 651**	**154 443**	116 529	23 751	140 280
Currency conversion						
Rand/US dollar average			**14.79**			16.45
Rand/US dollar closing			**15.90**			14.62

All non-current assets of the group are located in, or are attributable to, operations in South Africa.

Sales to the largest ten customers of the Hulamin Rolled Products segment accounts for 63% (2020: ten largest constituted 57%) of total group revenue.

Note 2.3 provides the geographic breakdown of the Group's revenue.

A: Normalised EBIT, normalised EBITDA, headline earnings and normalised headline earnings

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2021 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, normalised EBITDA and normalised headline earnings per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2020 annual financial statements.

Normalised headline earnings per share is calculated by dividing normalised headline earnings by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings is defined as headline earnings excluding (i) metal price lag and (ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the group. Normalised EBIT and EBITDA are similarly derived.

The presentation of normalised EBIT, normalised EBITDA, headline earnings per share and normalised headline earnings per share is not an IFRS requirement and these may not be directly comparable with the same or similar measures disclosed by other companies.

2.2 Earnings per share

Earnings per share, headline earnings per share and normalised headline earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Weighted average number of shares

The weighted average number of shares used in the calculation of basic and diluted earnings per share, headline earnings per share and normalised earnings per share is as follows:

	2021 Number of shares	2020 Number of shares
Weighted average number of shares used for basic EPS*	**308 496 091**	308 496 091
Share options	**19 084 418**	657 581
Weighted average number of shares used for diluted EPS**	**327 580 509**	308 496 091

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*

** *In 2021, 19 084 418 potential ordinary shares we dilutive (2020: 657 581 potential ordinary shares we anti-dilutive).*

2. Performance: measures used to assess performance continued

2.2 Earnings per share continued

Reconciliation of net profit/(loss) (used in calculating earnings per share) for the year to headline earnings/(loss)

	2021		2020 Restated	
	Gross R'000	Net of tax R'000	Gross R'000	Net of tax R'000
Net profit/(loss) for the year	–	591 260	–	(239 509)
Adjustments	(42 239)	(31 178)	19 626	19 630
– Impairment loss on property, plant and equipment and intangible assets	–	–	8 432	8 432
– Proportional share of profit on disposal of property, plant and equipment by Joint venture	(2 734)	(2 734)	–	–
– Loss arising from loss of control in Isizinda	–	–	11 207	11 207
– Profit/(loss) on disposal of property, plant and equipment	(39 505)	(28 444)	(13)	(9)
Headline earnings/(loss)		560 082		(219 879)
Headline earnings/(loss) per share				
Basic (cents)		182		(71)
Diluted (cents)		171		(71)
Normalised headline earnings/(loss) per share				
Basic (cents)		82		(94)
Diluted (cents)		77		(94)

Information concerning the classification of securities

(i) **Options**

Options granted to employees under the various Hulamin group schemes as presented in note 8.1 are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance condition would have been met based on the company's performance up to the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share.

35 773 733 (2020: 54 197 400) options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2021. These options could potentially dilute basic earnings per share in the future.

(ii) **Bonus shares**

Rights to deferred shares granted to senior management under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share.

2.3 Revenue from contracts with customers

(a) Accounting policies and significant judgements

(i) **Sale of goods**

Revenue from contracts with customers of the group comprises revenue from the sale of fabricated and semi-fabricated aluminium products.

Sales are recognised when control of the products has transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the guidance provided under International Chamber of Commerce Terms of Trade, where applicable. This is typically when the goods are handed to the carrier nominated by Hulamin.

As assessment of the concept of "control" as defined in IFRS15 and "risk" as defined in the Inco terms was performed and the point at which "risk" passes from Hulamin is the same point at which "control" is transferred.

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts. Note 1.6(xii) provides insights into variable considerations included in revenue.

If the consideration in a contract or sale of goods includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability (included in trade and other payables) for the expected future rebates.

(ii) **Transportation services**

Certain International Chamber of Commerce Terms of Trade used include multiple deliverables such as the sale of goods and the provision of transportation services. For some of these specific terms, control of the goods sold passes before the transportation service has been provided. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the customer receives and uses the benefit simultaneously. This is determined based on the actual shipping days incurred relative to the standard time to ship to the specified destination. Where revenue is earned on multiple performance obligations the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

(iii) **Time value of money**

The group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the group has applied the practical expedient provided in IFRS 15.63 and does not adjust any of the transaction prices for the time value of money.

(b) Disaggregation of revenue from contracts with customers

Revenue has been disaggregated into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. The group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region.

	2021 R'000	2020 R'000
Analysis of revenue by product market		
Automotive and transport	**1 093 236**	1 542 497
Building and construction	**191 824**	150 267
General engineering	**5 036 242**	2 254 509
Packaging	**6 667 143**	4 587 401
Other*	**26 438**	14 204
	13 014 883	8 548 878
Geographical analysis of revenue		
South Africa	**6 040 616**	2 950 413
North America	**2 730 193**	1 258 694
Europe	**3 308 491**	2 894 756
Asia	**141 217**	421 198
Middle East	**160 747**	222 358
Australasia	**365 469**	99 256
South America	**59 446**	80 700
Rest of Africa	**208 704**	621 503
	13 014 883	8 548 878

* *Includes IFRS 9 revenue adjustment.*

Notes to the consolidated financial statements continued
for the year ended 31 December 2021

2. Performance: measures used to assess performance continued

2.3 Revenue from contracts with customers continued

(c) Transportation services

There are contracts with customers which require that the group provides transportation services as a separate performance obligation. The group acts as a principal in these transactions.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2021 R'000	2020 R'000
Within one year	**6 349**	857

2.4 Material profit or loss items

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

2.4.1 Expenses by nature

	2021 R'000	2020 Restated R'000
Aluminium and other material costs	**8 481 989**	5 061 218
Utilities and other direct manufacturing costs	**1 315 082**	1 145 312
Employment costs (note 2.4.1(a))	**1 212 855**	1 099 183
Termination benefits	**–**	7 839
Depreciation on property, plant & equipment (note 5.1)	**68 131**	48 392
Depreciation on right-of-use assets (note 5.2)	**7 584**	8 691
Amortisation of intangible assets (note 5.3)	**10 884**	7 152
Repairs and maintenance	**377 781**	274 099
Freight and commissions	**530 423**	414 179
Impairment of property, plant and equipment, right of use assets and intangible assets (note 2.4.4)	**–**	8 432
Other operating income and expenditure	**549 792**	486 967
	12 554 521	8 561 464
Classified as:		
Cost of sales of goods	**11 328 626**	7 636 339
Cost of providing services	**48 888**	20 730
Selling, marketing and distribution expenses	**653 478**	469 749
Administrative and other expenses (including net impairment losses on financial assets) (note 2.4.5)	**523 529**	426 214
Impairment of property, plant and equipment and intangible assets (note 2.4.4)	**–**	8 432
	12 554 521	8 561 464

2.4.1(a) Employee benefit costs

The cost of short-term employee benefits is recognised in the statement of profit or loss in the period in which the service is rendered and is not discounted.

The expected cost of profit-sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost, net interest expense or income and remeasurement.

The group presents service cost and net interest expense or income in profit or loss. Curtailment gains and losses are accounted for as past service costs.

	2021 R'000	2020 R'000
Employment costs		
Salaries and wages	**1 117 423**	1 002 092
Retirement benefit costs:	**62 028**	54 372
Defined contribution schemes (note 8.2)	**65 749**	59 662
Defined benefit scheme (note 8.2)	**(3 721)**	(5 290)
Post retirement medical aid costs (note 8.2)	**20 029**	15 082
Retirement gratuities (note 8.2)	**4 672**	4 881
Share incentive costs	**8 703**	22 756
	1 212 855	1 099 183

2.4.2 Gains and losses on financial instruments related to trading activities

The group is exposed to fluctuations in aluminium prices and exchange rates and hedges these risks with derivative financial instruments. The group applies hedge accounting to gains and losses arising from certain derivative financial instruments.

Hedges of forecast sales transactions are, where effective, accounted for as cash flow hedges.

The effective portion of cash flow hedge gains and losses are recorded initially in the hedge reserve and released to revenue from contracts with customers when the sale occurs.

Other gains and losses include, *inter alia*, the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments (including the ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains.

	2021 R'000	2020 R'000
Foreign exchange gains on debtors and creditors balances	**7 414**	24 526
Foreign currency denominated cash balances	**6 687**	(14 973)
Valuation adjustments on non-derivative items	**14 101**	9 553
Foreign exchange contracts: firm commitments, debtors and creditors balances	**3 352**	(124 179)
Commodity futures	**4 552**	44 384
Valuation adjustments on derivative items	**7 904**	(79 795)
Gains and losses on financial instruments related to trading activities	**22 005**	(70 242)

2.4.3 Other gains and losses

	2021 R'000	2020 R'000
Profit on disposal of property, plant and equipment	**39 505**	13
Loss arising from loss of control in Isizinda	**–**	(11 207)
Gain on liquidation of pension fund*	**–**	16 000
Other	**1 199**	187
	40 704	4 993

* *The gain on liquidation of the pension fund was a receipt awarded in 2020 to Hulamin in respect of the employee surplus account for the Tongaat Hulett Pension Fund.*

2.4.4 Impairment of non-financial assets

At each reporting date, the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.4 Impairment of non-financial assets continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be lower than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in the statement of profit or loss. After the recognition of an impairment loss, the depreciation or amortisation charge for the asset is adjusted to allocate its remaining carrying value, less any residual value, over its remaining useful life.

(a) Impairment assessment – Cash generating unit

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the year under review. In the circumstances, and as required by IAS 36, management have assessed the recoverable amounts of the assets (or cash-generating units to which they belong) net of liabilities at the period end. The recoverable amount was determined to be the value in use. The assessment compared the estimated value in use based on forecast future cash flows to the carrying amount.

(i) Rolled Products Cash Generating Unit

The key economic and business assumptions used in the value-in-use calculation are consistent with those used in the budget and the five-year business plan approved by the board of directors.

Key assumptions include:

	2021	2020
Comparison of key assumptions		
Weighted average cost of capital		
– before tax	**21.8%**	21.5%
– after tax	**15.7%**	16.1%

		In year five		Compound annual growth rate	
		2021	2020	**2021**	2020
Annual average	(ZAR/USD)	**16.32**	16.94	**2.0%**	0.6%
Sales volume	(tons)	**226 000**	235 000	**1.6%**	8.7%
Rolling margins	(RM)	**1 429**	1 232	**5.0%**	1.9%
Total manufacturing costs	(RM)	**3 541**	3 559	**2.8%**	5.8%
Working capital investment	(RM)	**138**	143	**3.2%**	3.7%

A pre-tax discount rate of 21.8% (post-tax 15.7%) was used in the calculation and this rate has decreased from the pre-tax 21.5% (post-tax 16.1%) used in 2020. The movement in the discount rate is impacted by:

- Increase in the cost of government bond rate; and
- The offset of the above increase with a decrease in the company specific risk premium due to improved performance and profitability levels. Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2022 and with reference to inflation differentials thereafter, with the ZAR: USD rate rising from an annual average of R15.22 in 2022 to R16.32 in 2026.

Sales volumes are forecast to be slightly higher than volumes achieved in 2021 and will grow at a reasonable increase due to recovery from the lower Covid-19 2020 volumes experienced in H1 2021.

Rolling margin forecasts include anticipated changes in both market conditions and the product mix. As a composite of margins and the aluminium commodity price, selling prices are expected to increase with the increase in the price of aluminium. Demand is expected to remain robust for most product streams in 2022.

With the 15% import duty on aluminium imports into RSA effective from 2021, the improvement in domestic sales volume in 2021 is expected to continue.

These combined factors support that no impairment is necessary at year end.

Sensitivity analysis

The determination of the value in use for Rolled Products, and any resulting impairment, is particularly sensitive to:

Sensitivities	Impact Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	**(365)**	333
Rolling margins – average reduction of 5%	**(1 401)**	(703)
Exchange rate – R1 strengthening in ZAR/USD	**(1 439)**	(740)

Fair value less cost to sell

The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

The cumulative recoverable amount of the value of plant and machinery in the fair value less cost to sell model is R789 million (2020: R701 million).

(ii) **Extrusions Cash Generating Unit**

Extrusions was able to take advantage of the strong order book and translated that into strong financial performance particularly in the H1 2021, while H2 2021 was plagued by the global shortage of automotive micro-chips. Despite these challenges Extrusions returned to strong volumes which have been carried through into the five-year business plan, and the increased certainty thereof is reflected in the discount rate.

Key assumptions include:

	2021	2020
Comparison of key assumptions		
Weighted average cost of capital		
– before tax	**22.51%**	23.3%
– after tax	**16.22%**	16.79%

		2021	2020
Annual average	(ZAR/USD)	**15.63**	16.79
Sales volume	(tons)	**12 664**	13 384
Sales volume growth rate	(%)	**3**	2
Total manufacturing costs growth rate	(%)	**7**	4

Sensitivity analysis

The determination of the value in use for Extrusions, and any resulting impairment, is particularly sensitive to:

Sensitivities	Impact Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	**(15)**	(12)
EBIT – average reduction of 5%	**(14)**	(11)
Exchange rate – R1 weakening in ZAR/USD	**(18)**	(19)

Fair value less cost to sell

The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

The cumulative recoverable amount of the plant & machinery value derived from the fair value less cost to sell model is R30 million (2020: R22 million).

(iii) **Containers Cash Generating Unit**

In previous years Containers had been included in the RP impairment valuation and a decision was to split this out in the current year.

Containers experienced a slow recovery in the post-Covid 19 lockdown period with trading conditions improving in 2021. The forecast cashflows include an improved order book for 2022, negotiated increased sales prices and the loss if some customers due to aggressive competition experienced in the market.

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.4 Impairment of non-financial assets continued

(a) Impairment assessment – Cash generating unit continued

(iii) Containers Cash Generating Unit continued

Key assumptions include:

	2021
Comparison of key assumptions	
Weighted average cost of capital	
– before tax	**22.51%**
– after tax	**16.22%**

		2021
Annual average	(ZAR/USD)	**15.63**
Sales volume	(tons)	**1 543**
Sales volume growth rate	(%)	**7**
Total manufacturing costs growth rate	(%)	**3**

Sensitivity analysis

The determination of the value in use for Extrusions, and any resulting impairment, is particularly sensitive to:

Sensitivities	Impact Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	(6)	33
EBIT – average reduction of 5%	(18)	21
Exchange rate – R1 weakening in ZAR/USD	(33)	6

The impairment charges recognised in the income statement are as follows:

	2021 R'000	2020 R'000
Extrusions Olifantsfontein property, plant and equipment – note (a)(ii)	–	8 432
Total impairment charge	–	8 432
Taxation	–	–
Net impairment charge	–	8 432

2.4.5 Administrative and other expenses

The following items are included in administrative and other expenses.

	2021 R'000	2020 R'000
Increase in expected credit loss of financial assets	**(4 430)**	5 068
Termination benefits	–	7 839
Auditors' remuneration (Internal and external)	**13 335**	15 053
Audit fees	**13 269**	14 906
Fees for other services	–	–
Expenses	**66**	147

3. Debt/equity: measures to assess group leverage

3.1 Current borrowings

		2021 R'000	2020 R'000
Nedbank revolving facilities		**800 076**	789 053
		800 076	789 053
Effective interest rates are as follows:			
Nedbank revolving facility (%)	(%)	**6.25**	5.98

The Nedbank revolving facilities comprise gross borrowings of R800 million (2020: R789 million). Per the agreement signed with Nedbank in 2019 there is no restriction on credit balances in bank accounts.

The Nedbank revolving facilities are secured against inventories, trade receivables, bank balances, moveable items of property, plant and equipment and also against credit insurance on trade receivables and against insurance on fixed assets.

The terms of the Nedbank revolving facilities require prior notification for the following specified events:

- Encumbering any assets to secure financial indebtedness in excess of R20 million;
- Making loans or guarantees in excess of R20 million;
- Disposing of assets for which the higher of market value or sales price thereof exceeds R20 million;
- Entering into a merger or corporate restructuring;
- Amendments to the aluminium price and exchange rate hedging strategy; and/or
- Pre-approval is required when incurring additional financial indebtedness in excess of R50 million.

The Nedbank Revolving Facility requires that the group comply with the following financial covenants:

	2021	2020
Current ratio	**1.25**	1.25
Debt to equity ratio*	**0.5**	0.5

* *As defined in the contractual agreements.*

The group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting period.

The obligations of the revolving credit facility have been guaranteed by each of Hulamin Limited, Hulamin Extrusions Proprietary Limited and Hulamin Containers Proprietary Limited. The debt package is held through Hulamin Operations Proprietary Limited.

The fair values of the current borrowings approximate their carrying value based on the short-term nature of these borrowings. The fair value of the borrowings is classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Hulamin does not have any restrictive funding arrangements in terms of JSE LR 8.63(p).

3.2 Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The group leases various buildings, forklifts and IT-equipment. Rental contracts typically extend for fixed periods of 1 to 5 years but may have further extension options. Rentals periods vary between monthly and quarterly. Lease payments for some contracts include CPI increases.

3. Debt/equity: measures to assess group leverage continued

3.2 Lease liabilities continued

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

The maturity analysis of lease liabilities is disclosed in note 7.3.

	2021 R'000	2020 R'000
As at 1 January 2021	**67 764**	46 493
Additions	**511**	32 939
Payment of principal and interest	**(20 415)**	(17 992)
Interest	**5 063**	6 324
As at 31 December 2021	**52 923**	67 764
Current	**11 467**	20 514
Non-current	**41 456**	47 251

3.3 Net debt reconciliation

This section sets out an analysis of net debt and movements in net debt for the year ended 31 December 2021.

	2021 R'000	2020 R'000
Net debt comprises:		
Cash and cash equivalents (note 4.1)	**149 474**	38 045
Current borrowings (note 3.1)	**(800 076)**	(789 053)
Lease liabilities (note 3.2)	**(52 923)**	(67 764)
Net debt (note 7.4)	**(703 525)**	(818 772)
Cash and cash equivalents	**149 474**	38 045
Gross debt – variable interest rates	**(852 999)**	(856 817)
Net debt	**(703 525)**	(818 772)

The categories of net debt are reconciled as per the table below:

	Assets	Liabilities from financing activities				
	Cash	Lease liabilities – due within one year	Lease liabilities – due after one year	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 01 January 2020	126 207	(12 088)	(34 405)	(352 083)	–	(272 369)
Cash flows	(73 189)	3 532	8 136	(436 970)	–	(498 491)
Additions – leases	–	(11 958)	(20 981)	–	–	(32 939)
Foreign exchange adjustments	(14 973)	–	–	–	–	(14 973)
Net debt as at 31 December 2020	**38 045**	**(20 514)**	**(47 250)**	**(789 053)**	**–**	**(818 772)**
Cash flows	**104 742**	**9 245**	**6 107**	**(11 023)**	**–**	**109 071**
Additions – leases	**–**	**(198)**	**(313)**	**–**	**–**	**(511)**
Foreign exchange adjustments	**6 687**	**–**	**–**	**–**	**–**	**6 687**
Net debt as at 31 December 2021	**149 474**	**(11 467)**	**(41 456)**	**(800 076)**	**–**	**(703 525)**

3.4 Stated capital, consolidation shares and treasury shares

Transactions relating to the acquisition and sale of shares in the company, together with their associated incremental direct costs, are accounted for in equity. Other transactions are accounted for directly in equity only if permitted by IFRS.

Consolidated shares represent the A and B class ordinary shares issued to the BEE investor company and the ESOP Trust. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, disposed of or reissued.

(a) Authorised

800 000 000 ordinary shares of no par value (2020: 800 000 000 ordinary shares).

31 477 333 A ordinary shares of no par value (2020: 31 477 333 A ordinary shares).

36 072 000 B ordinary shares of no par value (2020: 36 072 000 B ordinary shares).

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 shares.

The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

(b) Issued

	2021 R'000	2020 R'000
Ordinary shares Closing balance: 324 318 436 shares of no par value (fully paid up) (2020: 324 318 436 shares (fully paid up)	**1 817 627**	1 817 627
A ordinary shares Closing balance: 26 755 733 A2 shares and 4 721 600 A3 ordinary shares (fully paid up) (2020: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 656**	59 609
B ordinary shares Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2020: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))	**361**	361
Total issued stated capital	**1 877 644**	1 877 597
Consolidated A and B ordinary shares	**(60 017)**	(59 970)
Stated capital	**1 817 627**	1 817 627

Issued shares movement schedule

	2021 No.	2020 No.
Ordinary shares:		
Opening balance	**324 318 436**	319 596 836
A1 shares converted to ordinary share capital	**–**	4 721 600
Closing Balance	**324 318 436**	324 318 436
A ordinary shares:		
Opening balance	**26 755 733**	31 477 333
A3 shares issued	**4 721 600**	
Converted to ordinary issued shares	**–**	(4721 600)
Closing balance	**31 477 333**	26 755 733
B ordinary shares:		
Opening balance	**36 072 000**	36 072 000
Movement	**–**	–
Closing balance	**36 072 000**	36 072 000

(c) A and B ordinary shares

All A ordinary shares and B ordinary shares have voting rights which rank *pari passu* with ordinary shares.

A3 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

(d) Unissued

(i) Under option to employees:

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 8.1.

(ii) Under the control of the directors:

At 31 December 2021, 6 801 529 unissued ordinary shares (2020: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes. Shares under the control of the directors are approved annually at the Annual General Meeting.

3. Debt/equity: measures to assess group leverage continued

3.4 Stated capital, consolidation shares and treasury shares continued

(e) Treasury shares

During the current year no shares were purchased by the Group. In 2020 7 638 806 shares were purchased on-market in order to hold treasury shares to settle share scheme obligations. These shares were acquired at an average price 178 cents per share, with prices ranging from 220 to 125 cents per share. The total cost R13.8 million including after-tax transaction costs and excluding the vesting of the A1 ordinary shares of R47 thousand in 2020, was deducted from shareholder equity. The total reduction in paid-up capital was R35.8 million.

4. Working capital: measures used to assess liquidity

4.1 Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost. Cash and cash equivalents comprise bank balances, cash on hand and deposits held with local banks with original maturities of three months or less.

		2021 R'000	2020 R'000
Bank balances		**149 460**	38 031
Cash on hand		**14**	14
		149 474	38 045
Effective interest rate on credit balances	(%)	**–**	–

Bank balances with a carrying value of R129 million (2020: R13.5 million) were pledged as security for borrowing facilities (note 3.2). For further information on the credit quality of cash, refer to the Financial Risk Management section (note 7).

The group has sufficient liquidity available through its working capital facilities in place with Nedbank Limited. Committed undrawn facilities available at year-end are further detailed in note 7.3.

Included in bank balances are the following foreign currency denominated accounts:

	2021 R'000	2020 R'000
Euro	**22 121**	7 433
Pound Sterling	**10 342**	4 213
US Dollar	**13 925**	4 450

The increase in foreign currency denominated cash and cash equivalents is timing related with respect to converting back to ZAR.

4.2 Inventories

The Group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Inventories are subsequently measured at the lower of cost and net realisable value.

The cost is determined on the following basis:

Consumable stores: Weighted average.

Raw materials, work in progress and finished goods: First-in-first-out. The inventory balance consists of:

	2021 R'000	2020 Restated R'000
Raw materials	**906 647**	407 695
Work-in-progress	**536 537**	632 568
Finished goods	**1 082 241**	956 412
Consumable stores	**508 405**	295 185
	3 033 830	2 291 860

Inventories with a carrying value of R2 615 million (2020: R1886 million) are encumbered as security for borrowing facilities (note 3.2). Inventories recognised as an expense during the year ended 31 December 2021 amounted to R15.5 million (2020: R7.8 million). Certain items of inventory were written down to net realisable value. These were recognised as an expense and included in cost of sale of goods in the statement of profit or loss as follows:

	2021 R'000	2020 R'000
Inventory net realisable value adjustment	**(34 539)**	23 022

4.3 Trade and other receivables

(a) Accounting policies and significant judgements

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current. Trade receivables are recognised initially at the transaction price. Details of the group's impairment policies are provided in section (c) below.

Due to the short-term nature of the current receivables, the carrying amount approximates their fair value.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of an overdue debtor to engage in a repayment plan within the group, and a failure to make contractual payments for a period greater than 120 days past due.

Sundry receivables generally arise from transactions outside of the usual trading activities of the group.

(b) Financial and non-financial assets

	2021 R'000	2020 R'000
Financial assets	**1 289 537**	964 350
Trade receivables – net of settlement discounts	**1 264 373**	903 899
Less: Loss allowance	**(5 529)**	(9 959)
Net Trade receivables	**1 258 844**	893 939
Sundry receivables	**30 693**	70 410
Non-financial assets	**153 364**	132 985
Prepayments	**45 109**	53 523
Value-added taxation receivable	**108 255**	79 462
	1 442 901	1 097 335

Included in trade receivables is an amount of R19.4 million (2020: R17.8 million) relating to claims from customers on current year sales for which it is probable that credit notes will be issued in the following financial year.

Included in sundry receivables is a specific ECL provision amounting to R14.8 million. The provision is determined in line with the groups accounting policy for expected credit losses.

(c) Impairment of trade receivables

The group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Included in sundry receivables is a specific ECL provision amounting to R14.8 million. The provision is determined in line with the group's accounting policy for expected credit losses.

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The group has trade receivables for sales of inventory and the provision of services. The sale of goods and provision of services have substantially the same risk characteristics for the same type of customer. The group has therefore concluded that the expected loss rate relating to sale of goods are a reasonable approximation of the loss rate for the provision of services. The group also covers all trade receivables through the Credit Guarantee Insurance Company (CGIC) and cover is subject to an uninsured portion of 20% (2020: 20%) and a franchise loss applicable to the Extrusions business. The CGIC cover is taken out at the inception of the sale and is integral to the enactment of the sale. Therefore, the CGIC cover is included in the calculation of the loss allowance.

The group performs an assessment at the end of each reporting period of the change in credit risk from when the trade receivables were recognised. This includes an assessment of default by assessing amounts past due from customers, claims received and processed and defaulting customers. As the trade receivables are insured, as detailed above, historical assessment indicates a low risk of default.

The group has determined that it is appropriate to group trade receivables into local and export receivables. The aggregation of trade receivables in this manner is consistent with the way in which the executive committee monitors sales and market demand. Further the cover obtained through CGIC quotes a premium based on the two categories of trade receivables, local and export, further indicating the similarity of trade receivables within these two categories.

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

(c) Impairment of trade receivables continued

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2021 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. As debtors' days are on average 30 days for local debtors and 45 days for export debtors a 24-month period reflects sufficient data points over the life of the asset to determine historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. Current forward-looking information considered by the Hulamin Credit Risk Committee includes regional growth and political stability. If forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, affected trade receivables are specifically provided for.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses requires judgement. The amount of the expected credit loss is sensitive to changes in circumstances and forecast economic conditions. The group's historical credit loss experience and forecast economic conditions may also not be representative of the customer's actual default in the future.

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2021								
Expected loss rate	(%)	–	–	–	0.4	–	–	–
Gross carrying amount	(R'000)	475 705	83 423	40 910	17 275	(21)	(461)	616 829
Loss allowance	(R'000)	–	–	–	71	–	–	71
Local debtors at 31 December 2021								
Expected loss rate	(%)	–	–	–	–	–	91.8	–
Gross carrying amount	(R'000)	574 673	88 225	7 447	9 800	15 146	5 944	701 234
Loss allowance	(R'000)	–	–	–	–	–	5 458	5 458

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2020								
Expected loss rate (%)	(%)	–	0.3	1.3	1.9	2.0	1.8	
Gross carrying amount (R'000)	(R'000)	373 499	98 149	18 924	5 939	2 664	2 431	501 606
Loss allowance (R'000)	(R'000)	19	252	241	115	54	43	724
Local debtors at 31 December 2020								
Expected loss rate (%)	(%)	–	0.1	1.6	(0.9)	25.8	44.5	
Gross carrying amount (R'000)	(R'000)	395 657	99 631	10 395	(448)	4 260	17 678	527 173
Loss allowance (R'000)	(R'000)	11	88	170	4	1 097	7 864	9 234

The closing loss allowance for trade receivables as at 31 December 2021 reconciles to the opening loss allowance as follows:

	2021 R'000	2020 R'000
Opening balance	9 959	7 001
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	(4 430)	5 068
Receivables written off during the year as uncollectible	–	(2 110)
Closing balance	5 529	9 959

The reduction in the current year's ECL provision is attributable to receipts from debtors that previously were specifically provided for as they were not subject to CGIC cover.

(d) Credit risk of trade receivables

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The group's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed below. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based on the specific amount of credit insurance that can be secured for each new customer. The percentage of all trade receivables covered by insurance is detailed below.

As at 31 December 2021, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:

	2021 R'000	2020 R'000
Receivables that are not overdue and remain within credit limits	**1 102 048**	889 948
Receivables which have exceeded credit terms and are:	**180 716**	74 859
Overdue by less than 60 days	**119 508**	53 853
Overdue by more than 60 days	**61 207**	21 006
Total financial assets, net of provision for credit losses	**1 282 764**	964 807

	2021 R'000	2020 R'000
Local trade receivables	**677 440**	475 416
– Balance subject to credit insurance (%)	**99**	95
Export trade receivables	**580 829**	442 291
– Balance subject to credit insurance (%)	**97**	100
	1 258 269	917 707

At 31 December 2021, the group had 23 debtors that owed it more than R10 million each and accounted for approximately 71% of all receivables outstanding (the prior year included 22 debtors that owed it more than R10 million each and accounted for approximately 78% of all receivables outstanding). There is no other significant concentration of risk related to a particular customer or industry segments. As at 31 December 2021, the exposure of the group to trade receivables neither overdue nor impaired (excluding sundry receivables), in local and overseas markets, and the extent to which these are subject to credit insurance cover is as follows:

Individual trade receivables covered by credit insurance are subject to 20% excess on local and export debtors.

Trade and other receivables with a carrying value of R1.3 billion (2020: R790 million) have been ceded as security for borrowing facilities (note 3.1).

The group is exposed to exchange rate fluctuations on the following uncovered export trade debtors at year-end. This exposure arises due to the early closure of financial institutions on 31 December.

	2021 Foreign amount '000	**2021 Rand amount R'000**	2020 Rand amount R'000
Euro	**10 552**	**190 026**	38 170
GBP	**592**	**12 720**	–
US Dollar	**3 346**	**53 216**	68 071
		255 962	106 241

4. Working capital: measures used to assess liquidity continued

4.4 Trade and other payables

	2021 R'000	2020 R'000
Trade payables	**1 455 819**	876 535
Bonus accrual	**44 384**	15 946
Leave pay*	**76 653**	67 669
Current leave obligations expected to be settled after 12 months	**22 649**	18 693
Current leave obligations expected to be settled within 12 months	**54 004**	48 976
Sundry accruals and other payables**	**315 421**	154 638
	1 892 276	1 114 788

** The entire amount of the leave pay accrual is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12-months.*

*** Sundry accruals and other payables include accruals, employee benefit obligations and accrued interest and is due to be settled within 12-months.*

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Due to the short-term nature of the current payables, the carrying amount approximates their fair value.

5. Long-term assets: utilisation of fixed and intangible assets

5.1 Property, plant and equipment

(a) Accounting policies and significant judgements

Capital works under construction is stated at cost, net of accumulated impairment losses. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects.

(i) Useful lives and residual values

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	30 to 50 years
Plant and machinery	4 to 50 years
Vehicles	4 to 10 years
Equipment	5 to 20 years
Furniture	5 to 10 years

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually. During the current year, the useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments. No adjustments have been made to these.

(ii) Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(iii) **Borrowing costs**

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The amount of borrowing costs capitalised during the year ended 31 December 2021 was R5.9 million (2020: R7.6 million). The weighted average interest rate used for borrowing costs capitalised is 6.1% (2020: 7.5%).

(b) Property, plant and equipment movement schedule

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
2021					
At cost					
Balance at beginning of year	**8 101 753**	**1 034 368**	**6 564 538**	**218 604**	**284 243**
Additions	**154 443**	**658**	**17 182**	**1 414**	**135 189**
Borrowing costs capitalised	**3 673**	**–**	**–**	**–**	**3 673**
Capitalised from capital works under construction	**–**	**388**	**167 997**	**5 910**	**(174 295)**
Transfers to intangible assets	**(12 599)**	**–**	**–**	**–**	**(12 599)**
Disposals	**(23 776)**	**–**	**(23 776)**	**–**	**–**
Transfer to Assets-held-for sale	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**8 223 494**	**1 035 414**	**6 725 941**	**225 928**	**236 211**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**7 288 656**	**873 059**	**6 018 631**	**194 048**	**202 918**
Charge for the year (note 2.4.1)	**68 131**	**6 185**	**58 255**	**3 690**	**–**
Impairment of property, plant and equipment (note 2.4.4)	**–**	**–**	**–**	**–**	**–**
Disposals	**(22 330)**	**–**	**(22 330)**	**–**	**–**
Transfer to Assets-held-for sale	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**7 334 457**	**879 244**	**6 054 556**	**197 738**	**202 918**
Carrying value at 31 December 2021	**889 037**	**156 170**	**671 385**	**28 190**	**33 293**
2020					
At cost					
Balance at beginning of year	8 118 634	1 104 372	6 491 954	233 970	288 338
Additions	131 432	1 589	13 792	190	115 861
Deconsolidation of Isizinda	(120 811)	(72 472)	(21 587)	(20 278)	(6 474)
Borrowing costs capitalised	7 590	–	–	–	7 590
Capitalised from capital works under construction	–	879	82 487	4 722	(88 088)
Transfer to intangible assets	(20 049)	–	–	–	(20 049)
Transfers to Assets-held-for-sale	(15 043)	–	(2 108)	–	(12 935)
Disposals	–	–	–	–	–
Balance at end of year	8 101 753	1 034 368	6 564 538	218 604	284 243
Accumulated depreciation and impairment losses					
Balance at beginning of year	7 305 064	881 511	6 022 080	194 404	207 069
Charge for the year (note 2.4.1)	48 392	8 265	33 033	7 094	–
Deconsolidation of Isizinda	(72 411)	(16 717)	(45 224)	(7 450)	(3 020)
Capitalised from capital works under construction	–	–	1 131	–	(1 131)
Impairment of property, plant and equipment (note 2.4.4)	8 432	–	8 432	–	–
Transfers to Assets-held-for-sale	–	–	–	–	–
Disposals	(821)	–	(821)	–	–
Balance at end of year	7 288 656	873 059	6 018 631	194 048	202 918
Carrying value at 31 December 2020	813 097	161 309	545 907	24 556	81 325

5. Long-term assets: utilisation of fixed and intangible assets continued

5.1 Property, plant and equipment continued

(b) Property, plant and equipment movement schedule continued

A register of land and buildings is available for inspection at the company's registered office.

Moveable items with a carrying value of R11.8 million (2020: R12.9 million) are encumbered as security for borrowing facilities (note 3.1).

The total depreciation charge is included in cost of sales, R74.2 million (2020: R66.8 million), and inventory, R12.4 million (2020: R9.4 million).

5.2 Right-of-use assets

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	5 to 20 years
Vehicles, equipment and other	5 to 10 years

The group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value, which would generally include rental of printers etc. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The lease liabilities relating to the right of use assets are disclosed in note 3.2.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Total R'000	Land and buildings R'000	Vehicles, equipment and other R'000
01 January 2020	17 108	2 245	14 863
Additions	36 133	32 779	3 354
Depreciation expense (note 2.4.1)	(8 691)	(2 110)	(6 581)
31 December 2020	44 550	32 914	11 636
01 January 2021	**44 550**	**32 914**	**11 636**
Additions	**511**	**–**	**511**
Depreciation expense (note 2.4.1)	**(7 585)**	**(1 639)**	**(5 946)**
31 December 2021	**37 476**	**31 275**	**6 201**

5.3 Intangible assets

(a) Accounting policies and significant judgements

The group's only intangible asset is computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. These costs are amortised over their estimated useful lives, as follows:

Internally generated	3 to 15 years
Other external	3 to 10 years

Maintenance costs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when technical and commercial feasibility of the asset for use has been established and all the asset recognition criteria are met. Directly attributable costs that are capitalised as part of the software product comprise mainly software development employee costs.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Computer software costs recognised as assets are amortised over their estimated useful lives.

Total amortisation is included in cost of sales in the statement of profit or loss.

The weighted average interest rate used for borrowing costs capitalised is 6.1% (2020: 7.5%).

Capital work in progress ("CWIP") included within the total software cost below is R12.6 million (2020: R5.7million). Once the asset is commissioned amortisation thereof will commence.

	2021 R'000	2020 R'000
Software costs – internally generated		
Balance at beginning of year	**100 189**	77 270
Additions	**10 971**	22 919
Written off	**–**	–
Balance at end of year	**111 160**	100 189
Accumulated amortisation		
Balance at beginning of year	**74 804**	71 047
Charge for the year (note 2.4.1)	**9 504**	3 757
Written-off	**–**	–
Impairment of intangible assets (note 2.4.4)	**–**	–
Balance at end of year	**84 308**	74 804
Carrying value at end of year	**26 852**	25 385
Software costs – purchased		
Balance at beginning of year	**112 309**	106 332
Additions	**1 627**	5 977
Written-off	**–**	–
Balance at end of year	**113 936**	112 309
Accumulated amortisation		
Balance at beginning of year	**104 532**	99 398
Charge for the year (note 2.4.1)	**1 380**	3 395
Written-off	**–**	1 739
Impairment of intangible assets (note 2.4.4)	**–**	–
Balance at end of year	**105 912**	104 532
Carrying value at end of year	**8 024**	7 777
Total software costs		
Cost	**225 096**	212 498
Accumulated amortisation	**(190 221)**	(179 336)
Carrying value at end of year	**34 875**	33 162

5.4 Other assets

(a) Finance lease receivable

The group entered into a lease arrangement as a lessor in the current and prior years which are considered to be a finance lease. The group leases property, plant and machinery and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The lease receivable arises due to a leasing agreement entered into with Bingelela Alloys. This lease represents a finance lease under the requirements of IFRS 16 and the related property, plant and machinery item subject to the lease was derecognised and the lease receivable recognised. This lease was settled during 2021.

5. Long-term assets: utilisation of fixed and intangible assets continued

5.4 Other assets continued

(a) Finance lease receivable continued

The following reconciliation reflects the anticipated cash receipts over the period of the lease:

Reconciliation of balance	2021	2020
Opening balance	**13 005**	–
Additions in the current year	**–**	14 204
Interest income	**744**	933
Other income statement charges	**812**	818
Proceeds	**(14 562)**	(2 950)
Closing Balance	**–**	13 005

The information relating to the finance lease receivable is disclosed below:

	2021	2020
Less than 1 year	**–**	4 523
1-2 years	**–**	9 046
2-3 years	**–**	7 814
Gross Investment lease receivable	**–**	21 383
Unearned future interest	**–**	(8 378)
Net Investment in lease receivable	**–**	13 005

Profit and loss information

	2021	2020
Profit or loss impact	**812**	1 183
Finance income on the net investment in the lease	**744**	933
	1 556	2 116

(b) Long-term deposit

A R32.1 million (USD 2 million) deposit was made with an insurance company to secure a customs bond in relation to US exports. This deposit cannot be recalled for a period of two years and is disclosed as a non-current asset. The long-term deposit is carried at amortised costs and its carrying value reflects fair value.

5.5 Capital expenditure commitments

Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be funded by a combination of external borrowings and cash flows from operations. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2021 R'000	2020 R'000
Property, plant and equipment	**23 235**	52 681

6. Investments: investments in subsidiaries and joint ventures

6.1 Details of investments in subsidiaries and joint venture

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control exists where the group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The results of entities controlled by the group acquired or disposed of during the year are included in the group statement of profit or loss from the date the group exercised control, or up until the point it ceases to exercise control. Inter-company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation.

The group treats transactions with non-controlling interest as transactions with equity holders of the group. Gains or losses arising from these transactions are recorded in equity.

(b) Investment in joint ventures

The group applies IFRS 11, "Joint Arrangements" to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for applying the equity method.

Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equal or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the group's net investment in joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains/losses on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(c) The consolidated financial statements of the group include:

	Country of incorporation	**Percentage equity interest 2021**	Percentage equity interest 2020	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Containers (Pty) Ltd*	South Africa	**100**	100	Container fabricator
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC	United States of America	**–**	–	Sales office
Joint venture				
Isizinda Aluminium (Pty) Ltd (note 6.1(d))**	South Africa	**38.7**	38.7	Property owning company

* *Subsidiaries of Hulamin Operations (Pty) Ltd.*

*** Isizinda is a joint venture entered into by Hulamin Operations (Pty) Ltd.*

6. Investments: investments in subsidiaries and joint ventures continued

6.1 Details of investments in subsidiaries and joint venture continued

(c) The consolidated financial statements of the group include: continued

Structured entities

The following structured entities have been consolidated into the Group results:

- Imbewu SPV 14 (Pty) Ltd (note 8.1(d)(i))
- The 2015 Hulamin Employee Share Ownership Trust (note 8.1(d)(ii))
- Hulamin North America LLC

Structured entities have no material individual assets or liabilities. All transactions with structured entities eliminate on consolidation. No financial guarantees are provided on behalf of structured entities.

(d) Interests in Joint Ventures

1. Joint arrangements

(a) Investment in Isizinda Aluminium Proprietary Limited ("Isizinda")

The Group has a 38.7% investment in joint venture, Isizinda. Isizinda is a separate structured vehicle incorporated and operating in South Africa. The primary activity of Isizinda is the management of properties, including the maintenance thereof, disposal of properties and other assets, sourcing, vetting and ongoing maintenance of tenants, and determining the terms for lease agreements.

In determining whether an entity has control or joint control over an investee, one needs to determine what the investee's relevant activities are and who can direct those activities. The relevant activities are those that significantly impact the economic performance or returns over the investee entity. The memorandum of incorporation and shareholders agreement requires that the management and decision-making over Isizinda's operations requires unanimous consent of all shareholders. Hulamin Operations holds a protective right to prevent dividend payments before settlement of its loan by Isizinda. This protective right does not prevent the counterparty from exercising its rights regarding the management of Isizinda's operations and decision-making thereon.

IFRS 11.8 provides guidance that all parties control an arrangement when they must act together to direct the activities that significantly affect the returns of the arrangement. As the decision-making over Isizinda's relevant activities requires unanimous consent of both Hulamin Operations and Bingelela, neither party can make decisions on Isizinda's operations independently of the other party. Therefore, Isizinda is jointly controlled by Hulamin Operations and Bingelela.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The summary of financial information in relation to the joint venture as presented below is disclosed at Hulamin Operations' proportional shareholding of 38.7 percent.

Summarised financial information in relation to the groups share of the joint venture is presented below:		2021 Prop share – 38.7% R'000	2021 Balance – 100% R'000	2020 Prop share – 38.7% R'000	2020 Balance – 100% R'000
Summarised statement of financial position		**–**	**–**	–	–
Current assets		**–**	**–**	–	–
Cash and cash equivalents		**24**	**62**	64	165
Other current assets		**5 223**	**13 497**	2 532	6 543
Total current asset		**5 247**	**13 559**	2 596	6 708
Financial liabilities (excluding trade payables)		**30 497**	**78 803**	29 065	75 102
Total current liabilities		**38 552**	**99 618**	35 828	92 580
Non-current assets		**–**	**–**	–	–
Property, plant and equipment		**31 651**	**81 786**	33 529	86 638
Total non-current asset		**31 651**	**81 786**	33 529	86 638
Net assets		**(1 654)**	**(4 273)**	296	766
Summarised statement of comprehensive income		**–**	**–**	–	–
Revenue from contracts with customers		**–**	**–**	561	1 450
Finance costs		**(2 165)**	**(5 593)**	(2 242)	(5 793)
Finance income		**1**	**1**	96	248
Profit/(loss) before tax		**(1 834)**	**(4 738)**	(3 562)	(9 205)
Income tax expense		**(424)**	**(1 096)**	1 997	5 160
Profit/(loss) after tax		**(2 258)**	**(5 834)**	(1 565)	(4 045)
Total comprehensive profit/(loss)		**(2 258)**	**–**	(1 565)	(4 045)
Reconciliation of summarised financial information presented to the carrying amount of the joint venture		**–**		–	
Opening net assets on 1 January 2020		**(1 565)**		–	
Adjusted total comprehensive loss for the year		**(2 258)**		(1 565)	
Loan balance attributable to joint ventures		**63 871**		63 924	
Net Impairment reversal/(loss) on loans to joint ventures		**14 932**		(3 724)	
Carrying value		**74 980**		58 635	
Interest in joint venture	%	**38.7**		38.7	

A sale agreement for the Land & Buildings is currently being negotiated and transfer is expected in June/July 2022. The loan balance due to Hulamin will be settled from the proceeds of this sale and thereafter Isizinda will be de-registered. Consequently the total impairment on Hulamin Operations' investment in Isizinda amounting to R14.9 million was reversed.

6.2 Non-current assets held-for-sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

6. Investments: investments in subsidiaries and joint ventures continued

6.2 Non-current assets held-for-sale continued

(i) Extrusions Olifantsfontein plant (Extrusions Segment)

In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which included the intended disposal of the property, plant and equipment of its Olifantsfontein operation and Hulamin Extrusions entered into an agreement of sale of these assets with a third party. The fair value less costs to sell was determined with reference to a binding sale agreement, which indicated that the carrying amount exceeded the fair value less costs to sell by R6 million and an impairment charge of that amount was booked in profit or loss (refer note 2.4.4 (a)(ii) in 2020. The sale of this asset was realised in 2021.

	2021 R'000	2020 R'000
Property, plant and equipment – Extrusions Olifantsfontein (note 5.1(b))	–	14 250
	–	14 250

7. Financial risk management: measures to mitigate risk

Financial risk factors

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

7.1 Market risk

(a) Foreign exchange risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. The group's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities.

The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the group's foreign currency exposure at 31 December, the after-tax profit for the year would have been higher or lower by R9.2 million (2020: R4 million) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of foreign currency denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are not offset by equivalent gains or losses in currency derivatives. There were no currency cash flow hedges at the end of 2021.

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuated with movements on the London Metal Exchange and as a result the group is exposed to commodity price risk from the time the aluminium is purchased to when it is sold to a customer (Metal Price Lag). The group uses LME future contracts to manage the commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the strategy was to hedge 50% of the risk using futures contracts. The group suspended the Metal Price Lag hedging strategy in the first quarter of 2020. The group has additional hedges in place for customer orders where the price has been fixed for a future delivery date fixed price contracts (FPC).

Due to hedge accounting for commodity hedges, for every 5% weakening or strengthening of the price of aluminium at 31 December, after tax profit for the year would have been lower or higher by RNil (2020: RNil) based on the group's exposure to firm customer commitments (FPC) at the balance sheet date. The above change in aluminium prices would have had a R1.3 million effect on equity (2020: R1.5 million).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and the group has not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after-tax profit (2020: nil) and no effect on equity (2020: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period end net debt, the interest expense for the year would have been higher or lower by R4 million (2020: R4 million).

The group analyses the impact on profit and loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The analysis is only for liabilities that represent the major interest-bearing positions.

(d) Hedge accounting

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the group used the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The group uses forward exchange contracts and LME future contracts to hedge its exposure to foreign currency and commodity risk. When hedge accounting is applied, the group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward element of the foreign currency forwards that relate to hedged items is recorded in profit or loss and the forward element of the LME future contracts that relate to hedged items are recorded in equity.

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting requirements, they are classified as 'fair value through profit or loss'. They are presented as current assets or liabilities to the extent they are expected to be settled within 12-months after the end of the reporting period.

The fair value of derivative assets and derivative liabilities are calculated as the difference between the contracted value and the value to maturity at the year-end date. The value to maturity of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The value to maturity of commodity futures is determined by reference to quoted prices at the balance sheet date.

(ii) Derivatives and hedging activities

As part of its risk management strategy, the group has identified a series of risk categories with corresponding hedging strategies using derivatives.

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness. Transactions that are entered into in accordance with the group's hedging objectives, but which do not qualify for hedge accounting, are referred to in these financial statements as economic hedge relationships.

A cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss. If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

The hedging reserve accumulates all movement in the fair value of financial instruments designated as hedges of transactions that have yet to be recognised on the balance sheet. When the underlying transaction is recognised, the related accumulated hedging reserve is released to the income statement and reflected in revenue. The release of the hedge reserve follows the hedged item represented by probable forecast sales transactions.

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(d) Hedge accounting continued

(iii) Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Spot component of currency forwards R'000	Spot component of LME futures R'000	Intrinsic value of options R'000	Cost of hedging R'000	Total hedge reserve R'000
Opening balance January 2020	14 658	(6 894)	7 357	(2 616)	12 505
Add: Change in fair value of hedging					–
instrument recognised in OCI	(237 789)	118 509	(109 706)	15 471	(213 515)
Add: Costs of hedging deferred and recognised in OCI	–	–	–	(11 838)	(11 838)
Less: Reclassified to profit or loss – on hedge maturity	217 431	(106 540)	99 488	–	210 379
Less: Deferred tax	5 700	(3 351)	2 861	(1 017)	4 193
Closing balance December 2020	–	1 724	–	–	1 724
Opening balance January 2021	**–**	**1 724**	**–**	**–**	**1 724**
Add: Change in fair value of hedging					**–**
instrument recognised in OCI	**–**	**32 430**	**–**	**–**	**32 430**
Add: Costs of hedging deferred and recognised	**–**	**–**	**–**	**(6 328)**	**(6 328)**
Less: Reclassified to profit or loss – on hedge maturity	**–**	**(34 354)**	**–**	**–**	**(34 354)**
Less: Deferred tax	**–**	**539**	**–**	**1 772**	**2 311**
Closing balance December 2021	**–**	**339**	**–**	**(4 556)**	**(4 217)**

(iv) Amount recognised in profit or (loss)

During the year the following amounts were recognised in profit or (loss) in relation to derivative instruments that were hedge accounted for:

	2021 R'000	2020 R'000
Net gains on forwards for LME futures not qualifying for hedge accounting included in gains and losses on financial instruments relating to trading activities	**–**	31 707
Hedge ineffectiveness of foreign currency forwards included in gains and losses on financial instruments relating to trading activities	**4 558**	(146 191)
Cash flow hedges included in revenue	**29 796**	(95 895)
	34 354	(210 379)

(v) Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The profit recognised in profit/(loss) as a result of hedge ineffectiveness amounts to R4.5 million (2020: loss of R146.2 million), refer note 7.1 (d) (iv).

A summary of the fair value of the group's financial instruments used to mitigate foreign exchange and commodity price risk is shown below:

	2021 R'000	2020 R'000
Foreign currency management – probable forecast sales	**8 568**	–
Foreign currency management – firm commitments, trade debtors, creditors and import orders	**58**	5 313
Commodity price management	**470**	2 395
	9 096	7 708
Grouped as:		
Financial assets	**9 791**	7 708
Financial liabilities	**(695)**	–
	9 096	7 708

The credit quality of all derivative financial assets is sound and there have been no defaults in past years. None are overdue nor impaired and the group does not hold collateral on derivatives. The group's maximum exposure to counterparty credit risk on derivative assets at 31 December 2021 is R9.8 million (2020: R7.7 million).

The fair value measurement classification of the above financial instruments is level 2 (observable inputs) in accordance with the fair value hierarchy prescribed by IFRS 13. Key inputs used in the determination of fair value relate to London Metal Exchange aluminium prices and currency exchange rates.

(e) Foreign currency management – probable forecast sales

The were no forward foreign exchange contracts (FECs) on hand at period end or the prior period that were designated as hedging instruments in terms of hedge accounting.

Notes to the consolidated financial statements continued
for the year ended 31 December 2021

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(f) Foreign currency management – firm commitments, trade debtors, creditors and import orders

The following forward foreign exchange contracts and options cover foreign currency risk on trade debtors, creditors balances and import orders. The forward exchange contracts were not designated as hedging instruments for hedge accounting purposes at the period end:

	2021			2020		
	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000
Forward purchases						
Euro	**16 765**	**(302 768)**	**(375)**	11 019	(198 782)	(196)
Pound Sterling	**475**	**(10 009)**	**202**	–	–	–
US Dollar	**19 240**	**(306 848)**	**(449)**	4 834	(71 710)	(781)
		(619 625)	**(622)**		(270 492)	(978)
Forward sales						
Euro	**(22 300)**	**401 878**	**(468)**	(23 277)	423 584	3 299
Pound Sterling	**(800)**	**17 290**	**92**	–	–	–
US Dollar	**(17 740)**	**284 044**	**1 055**	(7 542)	113 522	2 992
		703 212	**679**		537 106	6 291
Currency options						
US Dollar	**(97 200)**	**–**	**6 109**	–	–	–
Euro	**(28 800)**	**–**	**2 460**	–	–	–
		–	**8 569**		–	–
Net total		**83 587**	**8 626**		266 615	5 313
Maturing in:*						
2021					266 615	5 313
2022		**83 587**	**8 626**		–	–
		83 587	**8 626**		266 615	5 313
Grouped as:						
Financial assets			**9 213**			6 291
Financial liabilities			**(587)**			(978)
			8 626			5 313

* *Derivative instruments on average hold a maturity of three-months or less.*

(g) Commodity price management

The following futures contracts cover commodity price risk on future sales. The requirement for hedge accounting were met in 2021 and 2020:

	2021			2020		
	Tons	Contracted value R'000	Fair value asset/(liability) R'000	Tons	Contracted value R'000	Fair value asset/(liability) R'000
Net aluminium futures purchases/ (sales) maturing in*:						
2021				1 075	(28 910)	2 394
2022	**900**	**(39 159)**	**470**			
	900	**(39 159)**	**470**	1 075	(28 910)	2 394
Grouped as:						
Financial assets			**596**			2 394
Financial liabilities			**(126)**			–
			470			2 394

The group may enter into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures were hedge accounted for the period ended 2021 and 2020.

* Derivative instruments on average hold a maturity of three-months or less.

7.2 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with Category 1 London Metal Exchange brokers. Hulamin will only enter into currency hedges with the four major South African banks.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (under the hedging section of this note) and trade and other receivables (note 4.3).

7.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, flexibility in funding is maintained through ensuring availability under committed credit lines. Management monitors rolling forecasts of the group's liquidity reserve, being the excess of available facilities over forecast net borrowings and available cash balances.

The group's facility utilisation (including cash reserves) at the period end was:

Note	2021 R'000	2020 R'000
Revolving working capital facility	**1 200 000**	1 000 000
General short term facility	**300 000**	500 000
Current facilities	**1 500 000**	1 500 000
Non-current facilities	**–**	–
Total borrowing facilities	**1 500 000**	1 500 000
Less: indirect facilities allocated to letters of credit	**–**	(300 000)
	1 500 000	1 200 000
Utilised by:		
Non-current borrowings 3.1	**–**	–
Current borrowings 3.2	**(800 076)**	(789 053)
Cash and cash equivalents 4.1	**149 474**	38 045
Committed undrawn direct facilities and cash	**849 398**	448 992

Hulamin's borrowing facilities include a general short-term facility of R300 million (2020: R500 million), of which R100 million has been allocated to a letter of credit facility and revolving working capital facilities of R1.200 million (2020: R1 000 million).

Financial liabilities with maturity dates within the next twelve months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

7. Financial risk management: measures to mitigate risk continued

7.3 Liquidity risk continued

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

	Less than one year R'000	One to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
2020					
Non-current borrowings	–	–	–	–	–
Current borrowings	789 053	–	–	–	789 053
Lease Liabilities	20 514	28 526	4 282	54 240	107 562
Trade and other payables (excluding employee benefit payables)	989 171	–	–	–	989 171
Derivative financial liabilities	–	–	–	–	–
	1 798 738	28 526	4 282	54 240	1 885 786
2021					
Non-current borrowings	**–**	**–**	**–**	**–**	**–**
Current borrowings*	**800 076**	**–**	**–**	**–**	**800 076**
Trade and other payables (excluding employee benefit payables)	**1 768 591**	**–**	**–**	**–**	**1 768 591**
Lease liabilities	**6 075**	**13 069**	**8 599**	**49 924**	**77 666**
Derivative financial liabilities	**695**	**–**	**–**	**–**	**695**
	2 585 132	**13 069**	**8 599**	**49 924**	**2 656 723**

* Borrowing facilities incur interest at variable rates. As fixed contractual terms are not known in future periods, management has estimated interest charges using a best estimate of the forecast rate and applied this to the average balance for the year.

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R800 million (2020: R789 million) which are payable within a period of three months, including trade payables in the amount of R1.456 million (2020: R877 million). Trade receivables amounting to R1.259 million (2020: R893 million) are recoverable within a period of three months.

7.4 Capital risk management

For the purpose of the group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise the shareholder value and to safeguard its ability to continue as a going-concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

These objectives result in varying capital ratios, with current and future borrowings being evaluated against the group's expected operating cash flows and capital investment needs. Capital adequacy and liquidity are managed by monitoring gearing ratios, interest cover and debt service ratios.

The group's gearing ratio at the period end was as follows:

	Notes	2021 R'000	2020 Restated R'000
Current borrowings	3.1	**800 076**	789 053
Lease liabilities (current and non-current)		**52 923**	67 764
Total borrowings		**852 999**	856 817
Less: Cash and cash equivalents	4.1	**(149 474)**	(38 045)
Net debt		**703 524**	818 772
Total equity		**2 922 877**	2 326 479
Total capital		**3 626 401**	3 145 252
Gearing ratio percentage (net debt over total capital)		**19.4**	26.0

In order to achieve this overall objective, the group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The gearing ratio decreased to 19.4% (2020: 26.0%) at 31 December 2021.

8. Benefits and remuneration: our investment in our people

8.1 Share-based payments

(a) Employee schemes

The group's employee share incentive schemes are accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

Fair value is measured using the Monte Carlo Simulation, Black-Scholes and binomial tree valuation models.

(b) BEE transactions

BEE transactions where the group receives or acquires goods or services as consideration for the issue of equity instruments of the group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

(c) Information relating to employee share scheme grants

(i) Hulamin Limited Share Appreciation Right Scheme 2007

Under the Share Appreciation Right Scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price.

The vesting of the right is conditional on the achievement by Hulamin of performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at December 2020	Rights exercised in 2021	Rights forfeited/ lapsed in 2021	Number of rights at Dec 2021	Rights time constrained
R6.90	R2.73	24 April 2014	1 353 435	–	**1 353 435**	–	–
			1 353 435	–	**1 353 435**	–	–

The volume-weighted average share price during the year for Hulamin shares was R2.81 (2020: R1.32).

The estimated fair value of these share appreciation rights at grant date was determined using a binomial tree valuation model, based on the following significant input:

		2014
Share price at grant date	(R)	6.90
Risk-free interest rate	(%)	8.17
Expected volatility	(%)	42.22
Expected dividends	(%)	0.05
Expected remaining life (Months)	(months)	–
Contractual life (Months)	(months)	84

Vesting conditions:

- Time — Three years
- Non-market — An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee.
- Market — None

8. Benefits and remuneration: our investment in our people continued

8.1 Share-based payments continued

(c) Information relating to employee share scheme grants continued

(ii) Equity-settled Conditional Share Plan (Bonus shares)

Under the Equity-settled Conditional Share Plan (Bonus shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2020	**Conditional awards granted in 2021**	**Conditional awards vested in 2021**	**Conditional awards forfeited/ lapsed in 2021**	**Number of conditional awards at January 2021**	**Conditional time constrained**
Nil	3.93	26 July 2018	1 270 898	**–**	**1 107 483**	**163 415**	**–**	**–**
Nil	3.70	15 May 2019	1 529 459	**–**	**20 389**	**101 908**	**1 407 162**	**1 407 162**
			2 800 357	**–**	**1 127 872**	**265 323**	**1 407 162**	**1 407 162**

The volume-weighted average share price during the year for Hulamin shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

		2018	2019
Share price at grant date	(R)	4.34	4.11
Risk-free interest rate	(%)	7.34	7.08
Expected volatility	(%)	N/A	N/A
Expected dividends	(%)	3.27	3.49
Expected remaining life (Months)	(months)	0	4
Contractual life (Months)	(months)	36	36

Vesting conditions:

- Time Three years
- Non-market None
- Market None

(iii) Equity-settled Conditional Share Plan (Performance shares)

Under the Equity-settled Conditional Share Plan (Performance shares), participating employees are granted conditional awards. These awards are converted into shares in Hulamin on the achievement of Return on Capital Employed (ROCE) and Total Shareholders' Return (TSR) performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2020	Conditional awards granted in 2020	**Conditional awards forfeited/ lapsed in 2021**	**Number of conditional awards at December 2021**	**Conditional time constrained**
Nil	3.28	26 July 2018	1 504 975	–	**1 504 975**	**–**	**–**
Nil	3.22	15 May 2019	1 169 004	–	**96 627**	**1 072 377**	**1 072 377**
Nil	0.68	20 August 2020	5 353 769	–	**195 727**	**5 158 042**	**5 158 042**
Nil	1.83	26 May 2021	–	7 989 921	**–**	**7 989 921**	**7 989 921**
			8 027 748	7 989 921	**1 797 329**	**14 220 340**	**14 220 340**

The volume-weighted average share price during the year for Hulamin shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs

		2018	2019	2020	**2021**
Share price at grant date	(R)	4.34	4.11	0.99	**2.24**
Risk-free interest rate	(%)	7.34	7.08	4.08	**4.95**
Expected volatility	(%)	44.34	41.63	57.93	**65.68**
Expected dividends	(%)	3.27	3.49	5.13	**2.12**
Expected remaining life	(months)	0	4	20	**29**
Contractual life	(months)	36	36	36	**36**

Vesting conditions:

- Time Three years
- Non-market ROCE weighted 67%
- Market TSR weighted 33%

(iv) Equity-settled Conditional Share Plan (Retention shares)

Under the Equity-settled Conditional Share Plan (Retention shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2020	**Conditional awards exercised in 2021**	**Conditional awards vested in 2021**	**Number of conditional awards at December 2021**	**Number of conditional awards at December 2021**	**Conditional time constrained**
Nil	3.93	26 July 2018	353 243	**–**	**353 243**	**–**	**–**	**–**
			353 243	**–**	**353 243**	**–**	**–**	**–**

The volume-weighted average share price during the year for Hulamin shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs

		2018
Share price at grant date	(R)	4.34
Risk-free interest rate	(%)	7.34
Expected volatility	(%)	N/A
Expected dividends	(%)	3.27
Expected remaining life	(months)	0
Contractual life	(months)	36

Vesting conditions:

- Time Three years
- Non-market None
- Market None

8. Benefits and remuneration: our investment in our people continued

8.1 Share-based payments continued

(d) BEE Equity Transactions

(i) Strategic Partners

Hulamin concluded agreements with BEE partners in December 2020 to extend the original BEE transaction used to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The fair value of the transaction was determined using a Black Scholes valuation model using the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Expected option life	Five years	Five years and two months
Lock in period	Three years	N/A
Risk free rate	8.58%	5.00%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	50 months
Contractual life	60 months	62 months

Vesting conditions:

- Time — Five years
- Non-market — None
- Market — Share price

(ii) Hulamin Employee Share Ownership Plan (ESOP)

The ESOP Trust subscribed for an additional 4 721 600 A3 shares in December 2020 and together with the existing 26 755 733 A1 ordinary shares forms part of the BEE transaction. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within stipulated Patterson Bands.

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Risk free rate	8.58%	5%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	50 months
Contractual life	60 months	62 months

Note 3.4 (b) details the number of A ordinary shares issued and converted to listed ordinary shares as part of the BEE Transaction.

Vesting conditions:

- Time — Five Years and Two months
- Non-market — None
- Market — Share price

(iii) Isizinda Aluminium (Pty) Ltd (Isizinda)

Isizinda Employee Share Incentive Scheme Trust (the Trust)

On 2 February 2016, the Trust purchased a 2.53% interest in Isizinda, in equal portions from Bingelela and Hulamin. The interest held by the Trust was treated as a grant of an equity option. The fair value of the option at the grant date was R1.1 million, which was determined on an indirect basis with reference to the intrinsic value of the business. As at 31 December 2020, Bingelela owned 117 472 shares (58.74%) in Isizinda and the Trust owned 5 056 shares (2.53%). The fair values of these share-based payments take into account an exercise price of RNil. Management are in the process of closing this Trust and anticipate this to be complete in the first quarter of 2022.

8.2 Retirement benefits

(a) Accounting policies and significant judgements

(i) Pension obligations

The group provides retirement benefits to employees in the form of defined contribution plans. Certain benefits to some employees accrue with service and are therefore accounted for as a defined benefit plan. The assets of all retirement schemes are held separately from those of the group and are administered and controlled by trustees.

Contributions to defined contribution schemes are charged to profit or loss when incurred. The cost of providing benefits to the group's defined benefit plan are determined and provided using the projected unit credit actuarial valuation method. Remeasurements, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the group statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. The plan remains in a sound financial position and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

(ii) Post-retirement medical aid benefits and retirement gratuities

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

(iii) Retirement Benefit Schemes

The group contributes towards retirement benefits for substantially all permanent employees who are required to be a member of one of the retirement benefit plans, either pension fund or provident fund, elected by the group. These schemes are governed by the relevant fund legislation. Their assets consist primarily of listed shares, fixed income securities, property investments and money market instruments and are held separately from those of the group. The scheme assets are administered by boards of trustees, each of which includes elected representatives.

(b) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R19 million (2020: R14.4 million) and were expensed during the year.

(c) Hulamin Pension Fund

During 2012, members and pensioners accepted an offer made by the fund to convert the benefits of all in-service members from defined benefit to defined contribution and to transfer the liabilities for the payment of pensions to an insurer. The group has no further exposure to actuarial or investment risk relating to the defined contribution section of the fund.

In addition to an enhancement of benefits granted by the fund to members and pensioners on conversion, the fund also provided certain members with a further benefit which targeted (but provided no guarantee of), at the date of conversion, equivalent benefits on retirement in terms of the defined contribution basis as would have been obtained had the member remained on the defined benefit basis (the "retirement benefit equalisation value").

Assets relating to the surplus apportionment to the company are held in the employer surplus account.

The company provides no guarantee in terms of the investment returns that are earned on members' retirement benefit equalisation values. The retirement benefit equalisation value benefit accrues with service and is therefore accounted for as a defined benefit plan in terms of IAS 19 (revised). The group holds no actuarial or investment risk relating to the retirement benefit equalisation value benefit.

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and assets in the employer surplus account was performed in accordance with IAS 19 (revised) at 31 December 2021. The next valuation will be performed at 31 December 2022.

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(c) Hulamin Pension Fund continued

	2021 R'000	2020 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**72 701**	80 325
Present value of funded obligations	**(25 388)**	(17 241)
Pension fund asset at end of year	**47 313**	63 084
(ii) Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**17 241**	17 679
Current service cost	**2 028**	2 357
Interest cost	**2 136**	1 971
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**2 582**	(2 069)
Actuarial gains arising from experience adjustments	**1 795**	(890)
Benefits paid	**(394)**	(1 807)
Defined benefit obligation at end of year	**25 388**	17 241

	2021 R'000	2020 R'000
(iii) Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:		
Fair value of plan assets at beginning of year	**80 325**	113 239
Interest income	**7 885**	9 618
Remeasurements:		
Losses on plan assets, excluding amounts included in interest income	**4 336**	(2 806)
Contribution funded from employer reserves	**(19 451)**	(37 919)
Benefits paid	**(394)**	(1 807)
Fair value of plan assets at end of year	**72 701**	80 325
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**68 232**	57 798
Conservative portfolio	**341**	434
Money market and cash	**4 128**	22 093
	72 701	80 325
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**68 834**	58 287
(iv) The amounts recognised in the statement of profit or loss are as follows:		
Defined benefit plan (retirement benefit equalisation value)	**(3 721)**	(5 290)
Current service cost	**2 028**	2 357
Net interest income	**(5 749)**	(7 647)
Defined contribution plan	**19 845**	39 726
Employer contribution from reserves (utilisation of employer surplus account)	**19 451**	37 919
Employer cash contribution	**394**	1 807
	16 124	34 436
(v) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**2 582**	(2 069)
Actuarial gains arising from experience adjustments	**1 795**	(890)
Gains on plan assets, excluding amounts included in interest income	**(4 336)**	2 806
	41	(153)

	2021 R'000	2020 R'000
The average duration of the benefit obligation at 31 December 2021 is 17.0 years (2020: 18.0 years).		
(vi) Principal actuarial assumptions at the end of the reporting period are as follows:		
Discount rate (%)	**10.70**	11.20
Future inflation rate (%)	**5.90**	5.70
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(377)**	(295)
1% increase in discount rate – effect on the obligation	**(3 587)**	(2 514)
1% decrease in discount rate – effect on current service cost	**455**	358
1% decrease in discount rate – effect on the obligation	**4 321**	3 044

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

(d) Post-retirement Medical Aid Benefits

The group has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

	2021 R'000	2020 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**179 096**	175 644
Liability in the balance sheet	**179 096**	175 644
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**175 644**	195 739
Total expense accrued	**20 029**	15 082
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**2 815**	(11 509)
Actuarial gains arising from experience adjustments	**(5 330)**	(9 655)
Benefit payments	**(14 062)**	(14 013)
Balance at end of year	**179 096**	175 644
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**18 985**	19 583
Current service costs	**1 044**	1 464
	20 029	21 047
(iv) Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**2 815**	(11 509)
Actuarial gains arising from experience adjustments	**(5 330)**	(9 655)
	(2 515)	(21 164)

(i) Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to several risks, principally changes in:

Financial assumptions:

- Discount rate, which is set having regard to the market yield on suitable government bonds considering the estimated duration of the liability.
- Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, considering the estimated duration of the liability.
- Medical inflation rate (medical subsidy rate)

Demographic assumptions:

- Withdrawal, pre-retirement mortality and ill-health retirement rates
- Post-retirement mortality
- Family statistics

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(d) Post-retirement Medical Aid Benefits continued

(i) Principal risks continued

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

Principal actuarial assumptions at the end of the reporting period are as follows:

	2021 R'000	2020 R'000
Discount rate (%)	**10.70**	11.20
Future company subsidy rate – in service (%)	**5.90**	5.70
Future company medical subsidy increase – pensioners (%)	**7.65**	7.45
Sensitivity of future company subsidy rate:		
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs	**2 072**	2 177
1% increase in future company subsidy rate – effect on the obligation	**17 585**	17 563
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	**(1 788)**	(1 872)
1% decrease in future company subsidy rate – effect on the obligation	**(15 240)**	(15 173)
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(135)**	(242)
1% increase in discount rate – effect on the obligation	**(14 618)**	(14 527)
1% decrease in discount rate – effect on current service cost	**112**	244
1% decrease in discount rate – effect on the obligation	**17 082**	17 024

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method has been applied as when calculating the liability recognised within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

The average duration of the benefit obligation at 31 December 2021 is 9.8 years (2020: 10 years). This number is analysed as follows:

- Active members 16.6 years (2020: 16.8 years)
- Retired members 8.3 years (2020: 8.2 years)

	2021 R'000	2020 R'000
Estimated benefits payable by the group in the next financial year	**14 786**	14 356

(e) Retirement gratuities

The group has in the past made discretionary payments, on retirement, to eligible employees who have remained in service until retirement age and have completed a minimum service period. This constructive obligation is unfunded.

	2021 R'000	2020 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**28 885**	27 255
Liability in the balance sheet	**28 885**	27 255
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**27 255**	29 268
Total expense accrued	**4 672**	4 881
Remeasurements:	**(1 441)**	(4 270)
Actuarial gains arising from changes in financial assumptions	**(926)**	(1 874)
Actuarial (gains)/losses arising from experience adjustments	**(515)**	(2 396)
Curtailment (gain)/loss	**–**	–
Gratuity payments	**(1 601)**	(2 624)
Balance at end of year	**28 885**	27 255
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**3 095**	3 111
Service costs	**1 577**	1 770
	4 672	4 881
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(926)**	(1 874)
Actuarial (gains)/losses arising from experience adjustments	**(515)**	(2 396)
Curtailment (gain)/loss	**–**	–
	(1 441)	(4 270)

(i) Principal risks

Through its retirement gratuity benefit, the group is exposed to several risks, principally changes in:

Financial assumptions:

- Discount rate, which is set having regard to the market yield on suitable government bonds considering the estimated duration of the liability.
- Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, considering the estimated duration of the liability.
- Salary inflation in excess of price inflation

Demographic assumptions:

- Withdrawal, pre-retirement mortality and ill-health mortality rates
- Post-retirement mortality
- Family statistics

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

Changes in the principal financial assumptions are detailed below.

Principal actuarial assumptions at the end of the reporting period are as follows:

	2021 R'000	2020 R'000
Discount rate (%)	**10.70**	11.20
Future salary inflation rate (%)	**5.90**	5.70
Sensitivity of future salary inflation rate:		
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs	**566**	549
1% increase in future salary inflation rate – effect on the obligation	**3 017**	2 864
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs	**(491)**	(477)
1% decrease in future salary inflation rate – effect on the obligation	**(2 665)**	(2 523)

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(e) Retirement gratuities continued

(i) Principal risks continued

The average duration of the benefit obligation at 31 December 2021 is 10.4 years (2020: 10.5 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1.2 million (2020: R2.4 million).

8.3 Directors' remuneration and interest

8.3.1 Directors' remuneration

(i) Directors' and prescribed officer's remuneration during the 2021 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related payments Rand	Bonus payments Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted[1] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive											
T P Leeuw	579 728	502 720						1 082 448		1 082 448	
V N Khumalo (note 2)	264 402	210 920						475 322		475 322	
S P Ngwenya	224 805	163 250						388 055		388 055	
GHM Watson	683 721	485 187						1 168 908		1 168 908	
N Maharajh	351 926	265 870						617 796		617 796	
CA Boles	338 265	298 750						637 015		637 015	
B Mehlomakulu	346 844	264 561						611 405		611 405	
RL Larson	516 559	397 413						913 972		913 972	
	3 306 250	2 588 671	–	–		–	–	5 894 921	–	5 894 921	–
Executive											
R G Jacob			5 293 440		3 904 935	122 850	660 855	9 982 080	2 042 690	12 024 769	287 064
M Gounder (Note 3)			2 164 950		1 420 134	110 741	270 000	3 965 825	958 199	4 924 024	–
L M Farquharson (note 4)			650 400		395 499	48 652	81 113	1 175 664	–	1 175 664	–
	–	–	8 108 790	–	5 720 568	282 243	1 011 968	15 123 569	3 000 889	18 124 457	287 064
	3 306 250	2 588 671	8 108 790	–	5 720 568	282 243	1 011 968	21 018 490	3 000 889	24 019 337	287 064

Note 1 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.
Note 2 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.
Note 3 Mr M Gounder was appointed CFO with effect from 1 April 2021
Note 4 Mr L M Farquharson was appointed in a temporary capacity as CFO to 31 March 2021. Remuneration is disclosed for 3 months only, the balance in the table below.

Executive Committee members' remuneration (excluding acting executive committee members) during the 2021 financial year[1]

	Cash package Rand	Bonus and performance related payments[2] Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	8 439 014	9 789 076	306 249	1 041 209	19 575 548	2 357 840	21 933 388	866 249

Note 1 Excluding executive directors.
Note 2 The bonus payments reflected above are in relation to the 2021 year, paid in 2021/2022.

(ii) Directors’ and prescribed officer’s remuneration during the 2020 financial year

Director	Retainer fees Rand	Attend-ance fees Rand	Cash package Rand	Severance and related pay-ments[1] Rand	Bonus payments Rand	Medical aid contri-butions Rand	Retire-ment fund contri-butions Rand	Subtotal Rand	Value of options granted[2] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive											
T P Leeuw	572 570	444 270						1 016 840		1 016 840	
V N Khumalo (note 3)	261 140	198 000						459 140		459 140	
N N A Matyumza	194 886	97 560						292 446		292 446	
S P Ngwenya	222 030	150 430						372 460		372 460	
GHM Watson	723 231	495 696						1 218 927		1 218 927	
N Maharajh	347 580	222 340						569 920		569 920	
CA Boles	311 276	217 800						529 076		529 076	
B Mehlomakulu	300 006	213 440						513 446		513 446	
RL Larson	570 350	404 868						975 218		975 218	
	3 503 069	2 444 404	–	–		–	–	5 947 473	–	5 947 473	–
Executive											
R G Jacob			5 139 420	–	211 320	120 303	641 603	6 112 645	633 862	6 746 507	–
A P Krull (note 4)			3 159 820	–		128 329	394 290	3 682 439	–	3 682 439	–
L M Farquharson (note 5)			421 000	–	59 727	31 183	52 500	564 410	177 712	742 122	–
M Z Mkhize (note 6)			589 518	7 838 779		23 653	73 552	8 525 503	–	8 525 503	–
	–	–	9 309 758	7 838 779	271 047	303 468	1 161 945	18 884 997	811 574	19 696 571	–
	3 503 069	2 444 404	9 309 758	7 838 779	271 047	303 468	1 161 945	24 832 470	811 574	25 644 044	–

Note 1 Severance costs include notice pay, leave pay and gratuity on retirement.
Note 2 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, ‘Share-based Payments’.
Note 3 Directors’ fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.
Note 4 Mr A P Krull resigned as CFO and from the Hulamin board with effect from 31 October 2020.
Note 5 Mr L M Farquharson was appointed in a temporary capacity as CFO from 1 November 2020.
Note 6 Mr M Z Mkhize resigned as MD Rolled Products and from the Hulamin board with effect from 29 February 2020.

Executive Committee members’ remuneration (excluding acting executive committee members) during the 2020 financial year[1]

	Cash package Rand	Bonus and performance related payments[2] Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	9 936 412	317 704	428 261	1 238 889	11 921 266	862 463	12 783 729	83 292

Note 1 Excluding executive directors.
Note 2 The bonus payments reflected above are in relation to the 2020 year, paid in 2021.

8.3.2 Interest of directors and prescribed officers in share-based instruments

(i) Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2014	Number of rights at December 2020	Number of rights exercised in 2021	Number of rights lapsed in 2021	Number of rights at December 2021	Rights time constrained
Executive directors						
RG Jacob	633 100	633 100		633 100	–	–
	633 100	633 100	–	633 100	–	–

8. Benefits and remuneration: our investment in our people continued

8.3 Directors' remuneration and interest continued

8.3.2 Interest of directors and prescribed officers in share-based instruments continued

(ii) Employee Conditional Share Plan (Bonus shares)

	Number of conditional awards granted in 2018	Number of conditional awards at December 2020	Number of conditional awards granted in 2021	Number of conditional awards exercised in 2021	Number of conditional awards at Dec 2021	Conditional awards time constrained
Executive directors						
RG Jacob	117 649	117 649	–	**117 649**	–	–
	117 649	117 649	–	**117 649**	–	–

Grant price	R6.22
Grant Date	26 Jul 2018

(iii) Employee Conditional Share Plan (Performance shares)

	Number of conditional awards granted in 2018	Number of conditional awards granted in 2020	Number of conditional awards at December 2020	Number of conditional awards exercised in 2021	Number of conditional awards granted in 2021	Number of conditional awards lapsed in 2021	Number of conditional awards at Dec 2020	Conditional awards time constrained
Executive directors								
RG Jacob	321 279	932 150	1 253 429	–	**1 116 224**	**321 279**	**2 048 374**	**2 048 374**
M Gounder	–	–	–	–	**523 606**	–	**523 606**	**523 606**
	321 279	932 150	1 253 429	–	**1 639 830**	**321 279**	**2 571 980**	**2 571 980**

Grant price	R6.22	R0.99	R2.24
Grant Date	26 Jul 2018	20 Aug 2020	26 May 2021

8.3.3 Interest of directors and prescribed officers of the company in share capital

The aggregate holdings as at 31 December 2021 of those directors of the company holding issued ordinary shares of the company are detailed below:

	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
As at 31 December 2021				
Executive				
R G Jacob	**928 432**			**928 432**
	928 432	**–**	**–**	**928 432**
Non-executive				
C A Boles	**60 000**			**60 000**
G H M Watson	**27 763**			**27 763**
	87 763	**–**	**–**	**87 763**
Total	**1 016 195**	**–**	**–**	**1 016 195**
As at 31 December 2020				
Executive				
R G Jacob	928 432			928 432
	928 432	–	–	928 432
Non-executive				
C A Boles	60 000			60 000
G H M Watson	27 763			27 763
	87 763	–	–	87 763
Total	1 016 195	–	–	1 016 195

9. Other: detailed disclosure requirements

9.1 Net finance costs

	2021 R'000	2020 R'000
Interest expense	**64 825**	45 965
Non-current borrowings interest	**–**	2 826
Current borrowings interest	**63 434**	44 405
Interest on lease liabilities	**5 063**	6 324
Interest capitalised	**(3 673)**	(7 590)
Interest income	**(9 356)**	(9 071)
Net finance costs	**55 469**	36 894

9.2 Deferred tax

Deferred tax is provided on temporary differences arising between tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The tax assets and liabilities of the Group have been computed based on the tax rate and prevailing tax laws as at 31 December 2021. On 23 February 2022, the South African Minister of Finance, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamin Group, the rate will change from 28% to 27% with effect from 01 January 2023.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

	2021 R'000	2020 R'000
Deferred tax asset		
At beginning of year	**15 449**	93 130
Deconsolidation of Isizinda	**–**	8 953
Tax (charged)/credited directly to equity	**–**	–
Statement of profit or loss:		
Current year credit/(charge)	**46 970**	(89 693)
Prior year credit/(charge)	**67 101**	–
Deferred tax charge in other comprehensive income	**768**	3 059
Balance transferred from deferred tax liabilities	**(702)**	–
At end of year	**129 586**	15 449
Comprising:		
Fixed assets	**(2 939)**	–
Retirement benefit obligations and other provisions	**57 496**	14 965
Provisions and leave accrual	**38 663**	–
Lease liabilities	**16 064**	–
Right-of-use asset	**(11 908)**	–
Share schemes	**3 539**	–
Assessed loss	**14 710**	–
Other	**13 963**	484
	129 586	15 449
Deferred tax asset to be recovered after more than 12 months	**118 214**	14 965
Deferred tax asset to be recovered within 12 months	**11 372**	484
	129 586	15 449

9. Other: detailed disclosure requirements continued

9.2 Deferred tax continued

For the year ended 31 December 2021, the group had both assessed losses and deductible temporary differences for which a deferred tax asset was recognised as there was sufficient taxable temporary differences and sufficient taxable profits in future to absorb a portion of the tax asset.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. During the 31 December 2021 period, based on an assessment of future cash flows and taxable profits, management is of the view that there are sufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and, as a result, the group has recognised R114.5 million deferred tax assets.

The group's unrecognised assessed loss as at 31 December 2021 is R32.5 million.

	2021 R'000	2020 R'000
Deferred tax liability		
At beginning of year	**2 070**	16 990
Deconsolidation of Isizinda(loss of control)	**–**	(15 280)
Statement of profit or loss:		
Current year credit/(charge)	**(464)**	360
Prior year credit/(charge)	**–**	–
Deferred tax charge in other comprehensive income	**–**	–
Balance transferred from deferred tax liability	**(704)**	–
At end of year	**902**	2 070
Comprising:		
Accelerated tax depreciation	**–**	–
Provisions and leave pay accruals	**902**	2 070
Derivative instruments – not designated as hedging instruments	**–**	–
	902	2 070
Deferred tax liability to be recovered after more than 12 months	**–**	–
Deferred tax liability to be recovered within 12 months	**902**	2 070
	902	2 070

9.3 Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

An income tax asset arises as a result of provisional tax payments made during the year being in excess of the current tax charges. The income tax asset in the current year includes overpayments of tax made both in the current year and 2020.

Non-deductible expenses for the current and comparative year comprise of legal and professional expenses incurred in respect of capital projects.

The IFRIC 23 provision was raised in the current year amounting to R2.4 million following uncertainties regarding the taxation of income earned because of activities conducted by Hulamin North America LLC on behalf of Hulamin Operations (Pty) Ltd.

		2021 R'000	2020 Restated R'000
South African normal taxation:			
Current			
Current year charge		**7 300**	29 962
Prior year under/(over) provision		**(3 749)**	195
Deferred			
Current year (credit)/charge		**(112 571)**	89 333
Prior year (over)/under provision		**(1 965)**	–
		(110 985)	119 490
Foreign capital gains tax		**–**	–
		(110 985)	119 490
South African income tax is levied on the company and its subsidiaries and not the group.			
Tax rate reconciliation			
Normal rate of taxation	%	**28.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**(0.7)**	3.3
Prior year over provision	%	**(14.8)**	(0.2)
Expenses not deductible for tax purposes	%	**2.2**	(13.1)
Income not taxable for tax purpose	%	**(0.9)**	–
Provision for uncertain tax positions	%	**0.5**	–
Capital gains tax	%	**(2.0)**	(4.2)
Other	%	**–**	(0.2)
Prior year deferred tax asset reversed	%	**–**	(76.5)
Deferred tax asset not recognised	%	**(35.5)**	(36.7)
Effective rate of taxation		**(23.1)**	(99.6)

9.4 Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Further details of such transactions and balances can be found in the Company financial statements. Details of transactions between the group and its related parties are disclosed below:

	2021 R'000	2020 R'000
Lease rental expense paid to joint venture	**3 432**	1 201
Utilities and services charge paid to joint venture	**10 551**	11 769
Balance due from Isizinda (note 6.1)	**78 803**	75 103
(Reversal of impairment)/Impairment of loan to Isizinda	**(14 932)**	3 724
Interest income from Isizinda	**5 593**	5 791

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 8.3.

9. Other: detailed disclosure requirements continued

9.5 Financial assets and financial liabilities

The group holds the following financial instruments:

	Note	Financial instruments at amortised cost R'000	Financial instruments at fair value through profit or loss R'000	Derivatives applied under hedge accounting R'000	Total R'000
2021					
Financial assets – current					
Trade and other receivables	4.3(b)	**1 442 901**	**–**	**–**	**1 442 901**
Derivative financial assets	7.1(d)	**–**	**644**	**9 147**	**9 791**
Cash and cash equivalents	4.1	**149 474**	**–**	**–**	**149 474**
		1 592 375	**644**	**9 147**	**1 602 166**
Financial assets – Non current					
Other assets (customs cash deposit)	5.4	**32 150**	**–**	**–**	**32 150**
		32 150	**–**	**–**	**32 150**
Financial liabilities – current					
Trade and other payables	4.4	**1 892 276**	**–**	**–**	**1 892 276**
Borrowings	3.2	**800 076**	**–**	**–**	**800 076**
Lease liabilities	3.3	**11 467**	**–**	**–**	**11 467**
Derivative financial instruments	7.1(d)	**–**	**587**	**108**	**695**
		2 703 818	**587**	**108**	**2 704 513**
Financial liabilities – non-current					
Borrowings	3.1	**–**	**–**	**–**	**–**
Lease liabilities	3.3	**41 456**	**–**	**–**	**41 456**
		41 456	**–**	**–**	**41 456**
2020					
Financial assets – current					
Trade and other receivables	4.3(b)	1 097 335	–	–	1 097 335
Derivative financial assets	7.1(d)	–	5 313	2 394	7 708
Cash and cash equivalents	4.1	38 045	–	–	38 045
		1 135 380	5 313	2 394	1 143 088
Financial liabilities – current					
Trade and other payables	4.4	1 114 788	–	–	1 114 788
Borrowings	3.2	789 053	–	–	789 053
Lease liabilities	3.3	20 514	–	–	20 514
Derivative financial instruments	7.1(d)	–	–	–	–
		1 924 355	–	–	1 924 355
Financial liabilities – non-current					
Borrowings	3.3	–	–	–	–
Lease Liabilities	3.1	47 251	–	–	47 251
		47 251	–	–	47 251

The group's exposure to various risks associated with the financial instruments is discussed in note 7. The associated inputs to the fair value calculation, where applicable, is provided in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. All other non-financial assets and liabilities are disclosed in their respective notes.

10. Restatement and representation of the financial results for the year ended 31 December 2021

The Group continued with their ongoing assessment of financial internal controls in 2021 which included an assessment of the existing accounting practices and policies. The outcome was a reassessment of the accounting practice in respect of the capitalisation of manufacturing costs to inventory in accordance with IAS 2: Inventories. This resulted in a restatement of amounts previously capitalised to inventory and the resultant impact thereof in the statement of financial position, the statement of profit or loss and previously reported earnings in 2020 as detailed further in this note. The restatement has been performed in accordance with IAS 1: Presentation of Financial Statements.

The impact on the statement of financial position is as follows:

	Consolidated 2020			Consolidated 2019		
	Previously reported balance R'000	Restatement/ Reclassifica-tion R'000	Restated Balance R'000	Previously reported balance R'000	Restatement/ Reclassifica-tion R'000	Restated balance R'000
ASSETS						
Non-current assets						
Property, plant and equipment	**813 097**		**813 097**	813 570		813 570
Right-of-use assets	**44 550**		**44 550**	17 108		17 108
Intangible assets	**33 162**		**33 162**	13 157		13 157
Retirement benefit asset	**63 084**		**63 084**	95 560		95 560
Deferred tax asset	**15 449**		**15 449**	93 130		93 130
Other assets	**8 482**		**8 482**	–		–
Investments accounted for using the equity method	**58 635**		**58 635**	–		–
	1 036 459	**–**	**1 036 459**	1 032 525	–	1 032 525
Current assets						
Inventories	**2 333 828**	**(41 968)**	**2 291 860**	2 176 408	(32 898)	2 143 510
Trade and other receivables	**1 097 335**		**1 097 335**	804 415		804 415
Derivative financial assets	**7 708**		**7 708**	88 661		88 661
Cash and cash equivalents	**38 045**		**38 045**	126 207		126 207
Other assets	**4 523**		**4 523**	-		-
Income tax asset	**12 873**		**12 873**	17 562		17 562
	3 494 312	**(41 968)**	**3 452 344**	3 213 253	(32 898)	3 180 355
Non-current assets classified as held for sale	**14 250**	**–**	**14 250**	14 250		14 250
Total assets	**4 545 021**	**(41 968)**	**4 503 053**	4 260 028	(32 898)	4 227 130

10. Restatement and representation of the financial results for the year ended 31 December 2020 continued continued

The impact on the statement of financial position is as follows:

	Consolidated 2020			Consolidated 2019		
	Previously reported balance R'000	Restatement/ Reclassification R'000	Restated Balance R'000	Previously reported balance R'000	Restatement/ Reclassification R'000	Restated balance R'000
EQUITY						
Stated capital and consolidated shares	1 817 627		1 817 627	1 817 580		1 817 580
Treasury shares	(35 863)		(35 863)	(22 000)		(22 000)
BEE reserve	24 576		24 576	24 576		24 576
Employee share-based payment reserve	57 321		57 321	63 305		63 305
Hedging reserve	1 724		1 724	12 505		12 505
Retained earnings	503 061	(41 968)	461 093	674 342	(32 898)	641 444
Total equity	2 368 446	(41 968)	2 326 478	2 570 308	(32 898)	2 537 410
LIABILITIES						
Non-current liabilities						
Lease liabilities	47 251		47 251	34 405		34 405
Deferred tax liability	2 070		2 070	16 990		16 990
Retirement benefit obligations	202 899		202 899	225 007		225 007
	252 220	–	252 220	276 402	–	276 402
Current liabilities						
Trade and other payables	1 114 788		1 114 788	1 005 121		1 005 121
Current borrowings	789 053		789 053	352 083		352 083
Lease liabilities	20 514		20 514	12 088		12 088
Income tax liability	–		–	–		–
Derivative financial liabilities	–		–	44 026		44 026
	1 924 355	–	1 924 355	1 413 318	–	1 413 318
Total liabilities	2 176 575	–	2 176 575	1 689 720	–	1 689 720
Total equity and liabilities	4 545 021	(41 968)	4 503 053	4 260 028	(32 898)	4 227 130

The impact on the statement of profit or loss is as follows:

	Consolidated 2020 Previously reported balance R'000	Consolidated 2020 Restatement/ Reclassification R'000	Consolidated 2020 Restated Balance R'000	Consolidated 2019 Previously reported balance R'000	Consolidated 2019 Restatement/ Reclassification R'000	Consolidated 2019 Restated balance R'000
Revenue from contracts with customers	**8 548 878**		**8 548 878**	10 708 581		10 708 581
Cost of goods sold	**(7 843 237)**	**206 898**	**(7 636 339)**	(9 929 196)	208 824	(9 720 372)
Cost of services provided	**(20 730)**		**(20 730)**	(76 066)		(76 066)
Gross profit	**684 911**	**206 898**	**891 809**	703 319	208 824	912 143
Selling, marketing and distribution expenses	**(469 749)**		**(469 749)**	(520 020)		(520 020)
Administrative and other expenses	**(205 179)**	**(215 968)**	**(421 147)**	(290 670)	(241 722)	(532 392)
Reversal/(raised) Impairment of loans in joint ventures	**(3 724)**		**(3 724)**	-		-
Impairment losses raised/(reversed) on financial assets	**(5 068)**		**(5 068)**	(1 906)		(1 906)
Impairment of property, plant and equipment and intangible assets	**(8 432)**		**(8 432)**	(1 302 898)		(1 302 898)
Gains and losses on financial instruments related to trading activities	**(70 242)**		**(70 242)**	79 571		79 571
Other gains and (losses)	**4 993**		**4 993**	(88 800)		(88 800)
Operating loss	**(72 490)**	**(9 070)**	**(81 560)**	(1 421 404)	(32 898)	(1 454 302)
Interest income	**9 071**		**9 071**	8 021		8 021
Interest expense	**(45 965)**		**(45 965)**	(56 513)		(56 513)
Loss before share of joint venture profits	**(109 384)**	**(9 070)**	**(118 454)**	(1 469 896)	(32 898)	(1 502 794)
Share of net profit/(loss) of joint ventures accounted for using the equity method	**(1 565)**		**(1 565)**	–		–
(Loss) before tax	**(110 949)**	**(9 070)**	**(120 019)**	(1 469 896)	(32 898)	(1 502 794)
Taxation	**(119 490)**		**(119 490)**	265 355		265 355
Net loss for the year attributable to equity holders of the company	**(230 439)**	**(9 070)**	**(239 509)**	(1 204 541)	(32 898)	(1 237 439)

The impact on the statement on previously reported earnings and headline earnings per share is as follows:

		Consolidated 2020 Previously reported	Consolidated 2020 Restatement/ Reclassification	Consolidated 2020 Restated	Consolidated 2019 Previously reported	Consolidated 2019 Restatement/ Reclassification	Consolidated 2019 Restated
Loss per share	cents	**(75)**	**(3)**	**(78)**	(380)	(10)	(390)
Headline loss	R'000	**(210 809)**	**(9 070)**	**(219 879)**	(240 004)	(32 898)	(272 901)
Headline loss per share	cents	**(68)**	**(3)**	**(71)**	(76)	(10)	(86)

The impact on the statement of cashflows is as follows:

There is no impact on the statement of cashflows as the restatement is within cash generated from operations.

Company statement of financial position

as at 31 December 2021

	Notes	2021 R'000	2020 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**2 618 865**	2 600 296
Deferred tax asset	6.1	**14 633**	14 965
		2 633 498	2 615 261
Current assets			
Trade and other receivables	6.4	**–**	24 360
Income tax asset		**–**	1 661
		–	26 021
Total assets		**2 633 498**	2 641 282
EQUITY			
Stated capital	3.1	**1 877 644**	1 877 597
BEE reserve		**34 163**	30 239
Employee share-based payment reserve		**37 054**	37 386
Retained Earnings		**622 806**	642 503
Total equity		**2 571 667**	2 587 725
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid benefits	5.1	**52 262**	53 446
		52 262	53 446
Current liabilities			
Trade and other payables	6.5	**9 569**	111
Income tax liability		**–**	–
		9 569	111
Total liabilities		**61 831**	53 557
Total equity and liabilities		**2 633 498**	2 641 282

Company statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
Revenue from contracts with customers	2.1.1	**14 173**	9 353
Interest income	2.1.2	**17**	103 289
Administrative and other expenses	2.2	**(33 932)**	(20 271)
Net impairment losses on investments in subsidiaries	4.1	**–**	-
Operating (loss)/profit before taxation		**(19 742)**	92 371
Taxation	6.2	**(226)**	(27 772)
Net (loss)/profit for the year attributable to equity holders of the company		**(19 968)**	64 599
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:		**271**	2 916
Remeasurement of post-retirement medical obligation	5.1	**376**	4 050
Income tax effect		**(105)**	(1 134)
Total comprehensive (loss)/profit for the year attributable to equity holders of company		**(19 697)**	67 515

Company statement of changes in equity

for the year ended 31 December 2021

	Stated capital R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2019	1 877 597	63 308	20 000	549 066	2 509 971
Net profit for the year	–	–	–	64 599	64 599
Other total comprehensive income for the year after tax	–	–	–	2 916	2 916
Settlement of employee share incentives	–	–	10 239	–	10 239
Release of reserve upon vesting of A1 ordinary shares	–	(25 922)	–	25 922	–
Balance at 31 December 2020	1 877 597	37 386	30 239	642 503	2 587 725
Net (loss)/profit for the year	**–**	**–**	**–**	**(19 968)**	**(19 968)**
Other total comprehensive income for the year after tax	**–**	**–**	**–**	**271**	**271**
Value of employee services of subsidiaries-net of forfeiture	**–**	**(332)**	**3 924**	**–**	**3 592**
Issue of A3 share capital	**47**	**–**	**–**	**–**	**47**
Dividend paid	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2021	**1 877 644**	**37 054**	**34 163**	**622 806**	**2 571 667**

Company cash flow statement

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**23 051**	73 597
Income taxes refund/(paid)		**1 697**	(28 963)
Prior year income tax refund		**–**	1 699
Post-retirement medical aid benefits paid		**(6 179)**	(6 643)
Net cash inflow from operating activities		**18 569**	39 690
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries	4.1	**(18 569)**	(39 690)
Cash flows before financing activities ("free cash flow")		**(18 569)**	(39 690)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		**–**	–
Net cash inflow/(outflow) from financing activities		**–**	–
Net (decrease)/increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–
A: CASH GENERATED BEFORE WORKING CAPITAL CHANGES			
Operating (loss)/profit before taxation		**(19 742)**	92 371
Adjusted for:			
Post-retirement medical aid actual expense	5.1	**5 371**	5 660
Value of employee services received under share schemes		**3 592**	–
Cash (used)/generated before working capital changes		**(10 779)**	98 031
Changes in working capital	B	**33 830**	(24 434)
Cash generated from operations		**23 051**	73 597
B: CHANGES IN WORKING CAPITAL			
Decrease/(increase) in trade and other receivables		**24 360**	(24 385)
Increase/(decrease) in trade and other payables		**9 470**	(49)
		33 830	(24 434)

Cashflow movement above represents expenditure settled on behalf of Hulamin Limited by subsidiary, Hulamin Operations (Pty) Ltd.

Notes to the company financial statements
for the year ended 31 December 2021

1. General

1.1 Basis of preparation

The company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides, the requirements of the Companies Act, no. 71 of 2008, as amended, and the Listing Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2 to the group financial statements all of which had no material impact on the company's reported results or financial position.

The separate financial statements are prepared using the historical cost basis except as set out in the accounting policies which follow (see the accounting policy relating to share based payments).

The financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.9 of the Group financial statements for reference to the going-concern assessment).

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard. Financial assets and financial liabilities are offset and the net amount reported only when a legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Accounting policies are the specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements. Changes in accounting policies resulting from the initial application of a standard or an interpretation are accounted for in accordance with the transitional provisions in the accounting standard. If no such guidance is given, they are applied retrospectively.

1.2 New accounting standards

New and revised standards and interpretations have been highlighted in note 1.2 to the Group financial statements. These standards and interpretations have had an immaterial impact on the company financial statements.

New and revised IFRS in issue but not yet effective have been highlighted in note 1.2 of the Group financial statements. These standards and interpretations are expected to have an immaterial impact on the company financial statements.

1.3 Accounting for assets and liabilities

Recognition of assets and liabilities

Assets and liabilities are recognised when it is probable that future economic benefits associated with them will flow to and from the company respectively, and when their costs or fair values can be measured reliably.

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets are recognised based on trade dates.

Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive the cash flows have expired, been transferred and or control has passed.

All other assets are derecognised on disposal or they no longer meet the definition of an "asset" as prescribed by the Framework. Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.4 Judgements made by management

The key judgements, assumptions and sources of estimation uncertainty at the statement of financial position date that could have a significant risk of causing material adjustment to the carrying amounts of the assets and liabilities within the next financial year are:

1.4.1 Post-employment benefit obligations

Actuarial valuations of post-employment benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, healthcare costs, mortality rates, family statistics, inflation rates and salary increments. Management experts are used to assist with valuations of post-employment benefit obligations. Refer note 5.1.

1.4.2 Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 8.1 of the group financial statements. Management experts are used to determine the grant date fair value of options granted. Management assesses the likelihood of achieving non-market performance measures based on approved budgets and business plan.

1.4.3 Provision for expected credit losses of intercompany loans

The company determines the maximum period over which expected impairment losses should be measured as the longest contractual period where an entity is exposed to credit risk. In the case of loans repayable on demand, the contractual period is the very short period needed to transfer cash once demanded.

In a scenario where the subsidiaries have sufficient highly available liquid assets to repay the loan, the credit losses are likely to be very close to zero. Judgement is required to determine whether a borrower has available facilities at reporting dates to determine the magnitude of the allowance which should be raised.

If the subsidiaries are unable to immediately repay the loan if demanded by Hulamin, Hulamin might expect that it would maximise recovery of the loan by allowing the subsidiary time to pay, instead of forcing the borrower to liquidate or sell some or all of its assets to repay the loan immediately. Management considers the general 3-stage general impairment model in determining the magnitude of the impairment:

- Probability of default: The likelihood that the borrower would not be able to repay in the very short-term payment period.
- Loss given default: That is, the loss that occurs if the borrower is unable to repay in that very short payment period.
- Exposure at default: That is, the outstanding balance at the reporting date.

If the subsidiary at reporting date does not have sufficient liquid assets available, Hulamin will need to determine what its recovery scenarios are to determine the exposure at default. Management has considered that they will not require a 'fire sale' of the assets but would allow the subsidiary time to settle the debt based on the free cash flows generated from the latest business plan for the entity.

Management will adopt a 'repay over time' strategy. Management will utilise future cash flow forecasts to determine the necessary time required to repay the loan and as such, the loss given default would be limited to the effect of discounting the amount due on the loan.

1.5 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that they are non-adjusting events as determined in accordance with IAS 10, 'Events after the reporting period'. Details of material non-adjusting events are provided below.

On 23 February 2022, the South African Minister of Finance Enoch Godongwana, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamin Group, the applicable tax rate will change from 28% to 27% with effect from 01 January 2023. On the basis that deferred tax is forward looking, for the financial year ending 31 December 2022, the rate applicable for deferred tax will be the reduced rate of 27%. In respect of the financial year ending 31 December 2022, the rate applicable for current tax will differ from the rate applicable for deferred tax.

These have been highlighted in note 1.9 of the group financial statements.

2. Performance

2.1 Measures used to assess performance

2.1.1 Revenue from contracts with customers

Revenue of the company comprises management fees and agency fees earned from related companies within the group. Management and agency fees are earned from Hulamin Operations Proprietary Limited.

Management fees are earned on expenditure incurred such as consulting fees, directors' fees, etc. Revenue is measured at the transaction price.

Management and agency fees are recognised as the services are performed and this is a monthly charge.

2.1.2 Interest income

Interest income comprises interest earned on loan to subsidiary. Interest income is accrued on a time basis using the effective interest rate method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.2 Expenses by nature

	2021 R'000	2020 R'000
Post-employment medical aid costs	**4 699**	4 786
Other costs	**23 338**	8 828
	28 037	13 614
Directors' emoluments		
Non-executives		
Fees	**5 895**	6 657
	5 895	6 657
	33 932	20 271

3. Debt/equity: Measures to assess group leverage

3.1 Share capital and share premium

Transactions relating to the acquisition and sale of shares in the company, together with their associated incremental direct costs, are accounted for in equity. Other transactions are accounted for directly in equity only if permitted by the standards.

Authorised

800 000 000 ordinary shares of no par value (2020: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2020: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2020: 36 072 000 ordinary shares of no par value)

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 shares.

The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

	2021 R'000	2020 R'000
Ordinary shares		
Ordinary shares		
Opening balance: 324 318 436 ordinary shares of no par value (2020: 324 318 436 ordinary shares of no par value)	**1 817 627**	1 817 627
Issued during the year: Nil (2019: Nil)	**–**	–
Conversion of 4 721 600 A1 ordinary shares to ordinary shares during the year (2020: 4 721 600)		
A ordinary shares		
Opening balance and closing balance: 26 755 733 A2 shares and 4 721 600 A3 shares of no par value (2020: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**59 656**	59 609
B ordinary shares		
Opening balance and closing balance: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2020: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
	1 877 644	1 877 597

A and B ordinary shares

All A ordinary shares and B ordinary shares have voting rights which rank pari passu with ordinary shares.

A3 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

Unissued

Under option to employees:

Details of the employee share incentive schemes including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 8.1 of the group financial statements.

Under the control of the directors:

At 31 December 2021, 6 801 529 unissued ordinary shares (2020: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

Issued shares movement schedule

	2021 No.	2020 No.
Ordinary shares:		
Opening balance	**324 318 436**	319 596 836
A1 shares converted to ordinary share capital	**–**	4 721 600
Closing balance	**324 318 436**	324 318 436
A ordinary shares:		
Opening balance	**26 755 733**	31 477 333
A3 shares issued	**4 721 600**	
Converted to ordinary issued shares	**–**	(4721 600)
Closing balance	**31 477 333**	26 755 733
B ordinary shares:		
Opening balance	**36 072 000**	36 072 000
Movement	**–**	–
Closing balance	**36 072 000**	36 072 000

3.2 Dividends per share

Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2021 R'000	2020 R'000
Dividends per share declared		
Final dividend: Nil cents on 324 318 436 ordinary shares (2020: Nil cents on 324 318 436 ordinary shares)	**–**	–
Final dividend: Nil cent on 4 721 600 A3 ordinary shares (2020: Nil cents on 4 721 600 A3 ordinary shares)	**–**	–
Total	**–**	–

4. Investments: Investments in subsidiaries and joint venture

4.1 Investment in subsidiaries

Subsidiaries are all entities over which the group has control, generally accompanying a shareholding of more than one half of the voting rights.

The company financial statements recognise interests in subsidiaries, which include loans granted to subsidiaries by the company, at cost, except in the case of certain limited group reorganisations where net assets are disposed. In these instances, interests in subsidiaries will be based on the carrying amount of the net assets disposed.

The company applied the expected credit loss model in considering the loss allowance required at the respective year end. The maximum period over which expected loss allowances should be measured is the longest contractual period over which the company is exposed to credit risk. As the loan is repayable on demand, the exposure to credit risk is the period between an assumed demand at the financial year-end and the period it would take the subsidiary to settle the outstanding balance. The company is therefore not exposed to credit risk and no loss allowance has been provided for on the outstanding loan balance.

	2021 R'000	2020 R'000
Investment in shares in subsidiaries	**1 645 738**	1 641 814
Loan to subsidiary	**973 127**	958 482
	2 618 865	2 600 296

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares issued by Hulamin Operations Proprietary Limited.

No impairment (2020: NIL) was recognised on the loan to subsidiary in the current year as the carrying amount of the investee's assets exceeded the carrying amount of the investment. The carrying value of the loan approximates fair value.

Notes to the company financial statements continued

for the year ended 31 December 2021

4. Investments: Investments in subsidiaries continued

4.1 Investment in subsidiaries continued

The effective interest rate on the loan to subsidiary for the year was 0% variable interest (2020: 10.12%). No repayment terms have been set, and consequently no portion of the loan is considered past due.

The loan to subsidiary is subordinated in favour of Nedbank as security for group borrowings.

The company holds the following direct and indirect investments:

	Country of incorporation	Percentage equity interest 2021	Percentage equity interest 2020	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Containers (Pty) Ltd*	South Africa	**100**	100	Container fabricator
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC	United States of America	**–**	–	Sales office
Joint venture				
Isizinda Aluminium (Pty) Ltd (note 6.1(d))**	South Africa	**38.7**	38.7	Property owning company

** Subsidiaries of Hulamin Operations (Pty) Ltd.*
*** Isizinda is a joint venture entered into by Hulamin Operations (Pty) Ltd.*

5. Benefits and remuneration: Our investment in employees

5.1 Post-retirement medical aid benefits

The company has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

	2021 R'000	2020 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**52 262**	53 446
Liability in the statement of financial position	**52 262**	53 446
The liability can be reconciled as follows:		
Balance at beginning of year	**53 446**	58 479
Total expense accrued	**5 371**	5 660
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**2 187**	(2 370)
Actuarial gains arising from changes in experience adjustments	**(2 563)**	(1 680)
Benefit payments	**(6 179)**	(6 643)
Balance at end of year	**52 262**	53 446
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**5 371**	5 660
	5 371	5 660
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**2 187**	(2 370)
Actuarial gains arising from experience adjustments	**(2 563)**	(1 680)

Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to several risks, principally changes in:

- Financial assumptions:
  - » Discount rate, which is set having regard to the market yield on suitable government bonds, taking into account the estimated duration of the liability.
  - » Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability.
  - » Medical inflation rate (company subsidy rate)
- Demographic assumptions:
  - » Post-retirement mortality
  - » Family statistics

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year. Changes in the principal financial assumptions are detailed below.

Principal financial assumptions:

		2021	2020
Discount rate	(%)	**10.70**	11.20
Future company subsidy rate – in service	(%)	**5.90**	6.70
Future company subsidy rate – pensioners	(%)	**7.65**	7.45

Sensitivity of future medical inflation rate

	2021 R'000	2020 R'000
1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs	**240**	401
1% increase in future medical inflation rate – effect on the obligation	**3 506**	3 574
1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs	**(473)**	(360)
1% decrease in future medical inflation rate – effect on the obligation	**(3 156))**	(3 219)
The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. The average duration of the benefit obligation at 31 December 2020 is 7.2 years (2019: 7.2 years).		
Estimated benefits payable by the company in the next financial year	**6 652**	6 850

6. Other: Other detailed disclosure requirements

6.1 Deferred tax

Deferred tax is provided on temporary differences arising between tax bases of the assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on the tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

During the 31 December 2021 period, based on an assessment of future cash flows and taxable profits, management is of the view that there are sufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and, as a result, the group has recognised R14.6 million deferred tax assets.

6. Other: Other detailed disclosure requirements continued

6.1 Deferred tax continued

The group's unrecognised assessed loss as at 31 December 2021 is R1.5 million.

	2021 R'000	2020 R'000
Deferred tax asset		
At beginning of year	**14 965**	16 375
Deferred tax in the statement of profit or loss:		
Current year charge	**(226)**	(276)
Deferred tax credit on other comprehensive items	**(106)**	(1 134)
At end of year	**14 633**	14 965
Comprising:		
Post-retirement medical aid provision	**14 633**	14 965
Assessed loss	**–**	–
	14 633	14 965
Deferred tax asset to be recovered after more than 12 months	**14 633**	14 965
Deferred tax asset to be recovered within 12 months	**–**	–
	14 633	14 965

6.2 Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

		2021 R'000	2020 R'000
South African normal taxation:			
Current			
Current year		**–**	27 302
Prior year under/(over) provision		**–**	195
Deferred			
Current year		**226**	276
		226	27 772
Tax rate reconciliation			
Normal rate of taxation	%	**28.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**–**	0.2
Deferred tax-reduction in deferred tax asset not recognised		**(7.8)**	–
Expenses not deductible for tax purposes	%	**(21.4)**	1.9
Effective rate of taxation		**(1.1)**	30.1

6.3 Related party transactions

The related parties to the company include all transactions between the company and its subsidiary Hulamin Operations Pty Ltd.

The nature of the related party transactions with Hulamin Operations Pty Ltd, in the ordinary course of business, are reflected below:

	2021 R'000	2020 R'000
Interest received from subsidiary	**–**	103 277
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**14 069**	9 249
Transactions with non-executive directors are detailed in the group annual financial statements. (note 8.3)		
The following balances were outstanding at the end of the reporting period:		

6.4 Trade and other receivables

During the year the company, in the ordinary course of business had the following trade and other receivables. This primarily consists of sundry debtors in the form of accrued interest receivable on the shareholders loan and the VAT receivable. Refer to disclosure below:

Financial and non-financial assets

	2021 R'000	2020 R'000
Financial assets	–	24 295
Sundry receivables	–	24 295
Non-financial assets	–	65
Value-added taxation receivable	–	65
	–	24 360

6.5 Trade and other payables

Included in trade and other payables is accruals for consultant costs R6m and VAT liability R3m. Included in prior year was VAT liability amounting to R111k.

7. Financial risk management

The company's risk management is incorporated in the group's risk management process and is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Further detail can be obtained in Note 7 of the consolidated annual financial statements.

Analysis of Shareholders

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Ordinary shareholders				
1 – 1 000	6 570	72,25	1 031 375	0,32
1 001 – 10 000	1 577	17,34	6 225 842	1,92
10 001 –100 000	781	8,59	25 951 032	8,00
100 001 – 1 000 000	131	1,44	42 529 161	13,11
Over 1 000 000 shares	35	0,380	248 581 026	76,65
	9 094	100,0	324 318 436	100,0
Public/non-public shareholders				
Non-public shareholders	7	0.08	111 520 179	32,00
Directors of the company	4	0,04	1 108 844	0,34
Extended family of Directors	0	N/A	-	N/A
Strategic holding (more than 10%) Treasury Stock	1	0,01	94 587 954	29,17
Treasury Stock	2	0,02	15 823 381	2,49
Public shareholders	9 087	99,92	212 798 257	68,00
Total listed shareholders	9 094	100,00	324 318 436	100,00
Beneficial shareholders holding more than 3% of share capital				
Industrial Development Corporation			94 587 954	29,17
Biccard, JL			31 894 766	9,83
Ninety One			16 193 301	4,99
Hulamin Operations (Pty Ltd			15 822 345	4,88
Kagiso Group			8 590 549	2,65
Total			167 088 915	51,52
A and B ordinary shareholders (refer to note 3.4 in the annual financial statements)				
Hulamin ESOP				
A2 ordinary (voting and beneficial)			26 755 733	39,61
A3 ordinary (voting and beneficial)			4 721 600	7,00
BEE strategic partners				
B1 ordinary (voting and beneficial)			9 018 000	13,35
B2 ordinary (voting and beneficial)			9 018 000	13,35
B3 ordinary (voting only)			18 036 000	26,70
Total non-listed A and B ordinary shareholders			67 549 333	100,00

Corporate information

Hulamin Limited

(Incorporated in the Republic of South Africa)
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
Founded: 1940
Listed: 2007
Sector: Industrial Metals and Mining

Business address and registered office

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Postal address

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Securities exchange listing

South Africa (Primary)
JSE Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Private bag X9000
Saxonwold
2132
South Africa

Auditors

Ernst & Young Inc.
102 Rivonia Road
Sandton
2146
Private Bag X14, Sandton, 2146
Practice number: 918288
Telephone: +27 11 772 3000
Facsimile: +27 11 772 4000
Website: http://www.ey.com

Sponsor

Questco Corporate Advisory Proprietary Limited
Ground Floor, Block C
Investment Place
10th Road
Hyde Park
2196

Directorate

Non-executive directors

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*
N Maharajh*
B Mehlomakulu
SP Ngwenya
GHM Watson*
GC Zondi (Alternate)

Executive directors

RG Jacob, Chief Executive Officer
M Gounder, Chief Financial Officer

* *Independent non-executive directors*

Company Secretary

Sharon Ramoetlo

Corporate information and investor relations

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