Think future.
Think aluminium.

Integrated Annual Report

for the year ended 31 December

2018

HULAMIN

Think future. Think aluminium.

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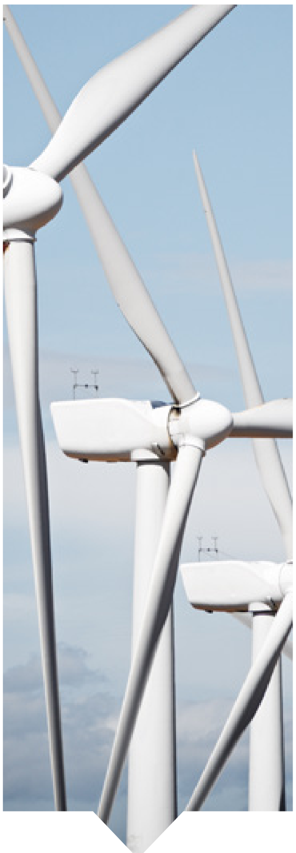

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An overview

Notwithstanding local market pressure, sales volumes increased by 5.2% to a record 245 ktons, supported by another year of strong operational performance. The Hulamin Rolled Products division increased sales volumes by 5.8% to a record 228 ktons.

59% **Export revenue earned**

About this report

This integrated annual report provides a concise review of how the group ("Hulamin") creates sustainable value. It provides insight into Hulamin's business model, changes in the external environment and the risks and opportunities that arise therefrom.

SCOPE

The scope of this report includes Hulamin Limited and its subsidiaries, listed on page 6. The report covers the financial reporting period 1 January 2018 to 31 December 2018.

OUR AUDIENCE

Hulamin's long-term providers of capital are the primary audience of Hulamin's integrated report. However, Hulamin's value creation activities benefit and impact a wide range of stakeholders whose interests are specifically covered in this report in line with our shared value creation principle.

The report provides all stakeholders with a greater understanding of the reliance of Hulamin's business model on the relevant capitals. It also sets out the financial and non-financial performance of Hulamin and the impact of Hulamin's operations on the relevant capitals and provides insight into the prospects and future outlook of Hulamin.

OUR APPROACH TO MATERIALITY

This report provides information that we believe is of material interest to current and prospective investors, and to any other stakeholders who wishes to make an informed assessment of Hulamin's ability to generate value over the short, medium and long term.

The material matters included in this report were identified through a structured process involving senior executives and the group Risk and SHE Committee through which they review Hulamin's business model and operating context, and the interaction thereof with our capitals.

Rather than provide a short list of material issues, we have sought to ensure that all information in this report relates to matters that have a material bearing on value creation. Understanding our business (page 6) and our business model (page 18) lends an appreciation to stakeholders understanding of how our external environment (page 32) impacted on performance delivery against our key objectives during the current financial year (page36) and how the external environment as well as stakeholder needs (page 26) have shaped our key strategic objectives (page 35). Making an informed assessment of our ability to respond appropriately to the external environment and stakeholder requirements requires an appreciation of our strategy and the leadership team contained within the corporate governance section of this report.

REPORTING FRAMEWORKS

In compiling this integrated annual report, the following frameworks have been considered:

- **International Integrated Reporting Framework, December 2013**
- **King Report on Corporate Governance (King IV)**
- **JSE Limited Listings Requirements**
- **Companies Act, No 71 of 2008, as amended, and the Companies Regulations**
- **International Financial Reporting Standards**

ASSURANCE

The Audit Committee provides an oversight role to this integrated annual report. The committee has reviewed the completeness and accuracy of this report and is satisfied that the report is an accurate reflection of the group's integrated performance.

Certain elements of this report have been independently assured. This assurance forms part of a combined assurance approach adopted by the Hulamin Audit Committee.

MATERIALITY AND COMPARABILITY

Materiality has been applied to qualitative and quantitative disclosures and content of this report. An item is considered material if it could influence the decisions of the group and its stakeholders.

There have been no significant changes to the content and scope of this report from prior years. In attempts to enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such.

FORWARD-LOOKING INFORMATION

The report contains some forward-looking information regarding the financial and non-financial performance and position of Hulamin. Hulamin believes this forward-looking information to be realistic at the time of the issue of the report. These statements include uncertainties, assumptions and risks about future events and circumstances, which may result in actual results differing from those anticipated. Forward-looking information has not been independently reviewed by the external auditors.

BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and to the best of its knowledge and belief the integrated annual report for 2018 addresses all material issues and presents fairly the integrated performance of Hulamin and its impacts. The report has been prepared in line with best practice and the Board confirms that it has approved the release of the 2018 integrated annual report.

FEEDBACK FROM OUR STAKEHOLDERS

Hulamin is committed to building stronger stakeholder relationships, which are enhanced through various communications. Stakeholders are encouraged to provide feedback on this integrated annual report and the type of information you would like to see in future reports to Ayanda. Mngadi@hulamin.co.za, which will enable the group to gauge the accuracy and standard of its integrated reporting.

OUR 2018 REPORTS

CONTENT AND ASSURANCE PROVIDERS

Annual financial statements:
Ernst & Young Inc.

Review of internal controls:
PricewaterhouseCoopers Advisory Services Proprietary Limited

BEE contributor level: Empowerdex

Sustainability report (selected information):
KPMG Services Proprietary Limited

Group overview

Hulamin is a leading, mid-stream aluminium semi-fabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal and Midrand, Guateng, supported by sales offices in South Africa, Europe and the USA. Hulamin is the only major aluminium rolling operation in sub-Saharan Africa and one of the largest mineral beneficiating exporters in South Africa. 59% of Hulamin's sales are exported to leading manufacturers around the world, focusing on specific product and end-use markets.

NORTH AMERICA

R3 309 m

Although Hulamin currently reaps the benefit of Chinese displacement in the US, rolling mill restarts in the US have commenced which may erode this position.

SOUTH AMERICA

R321 m

WHO WE ARE

Hulamin transforms primary aluminium into semi-fabricated products (rolled and extruded products) which can be used by downstream fabricators in a broad range of industries thereby unlocking the intrinsic remarkable properties of aluminium for use in a variety of end-use applications.

Hulamin Rolled Products

Based in Pietermaritzburg, Rolled Products produces a range of technologically sophisticated sheet, coil and plate. The majority of products are exported to customers in North America, Western Europe and the Far and Middle East for use in the packaging, automotive and engineering and construction industries.

Hulamin Containers

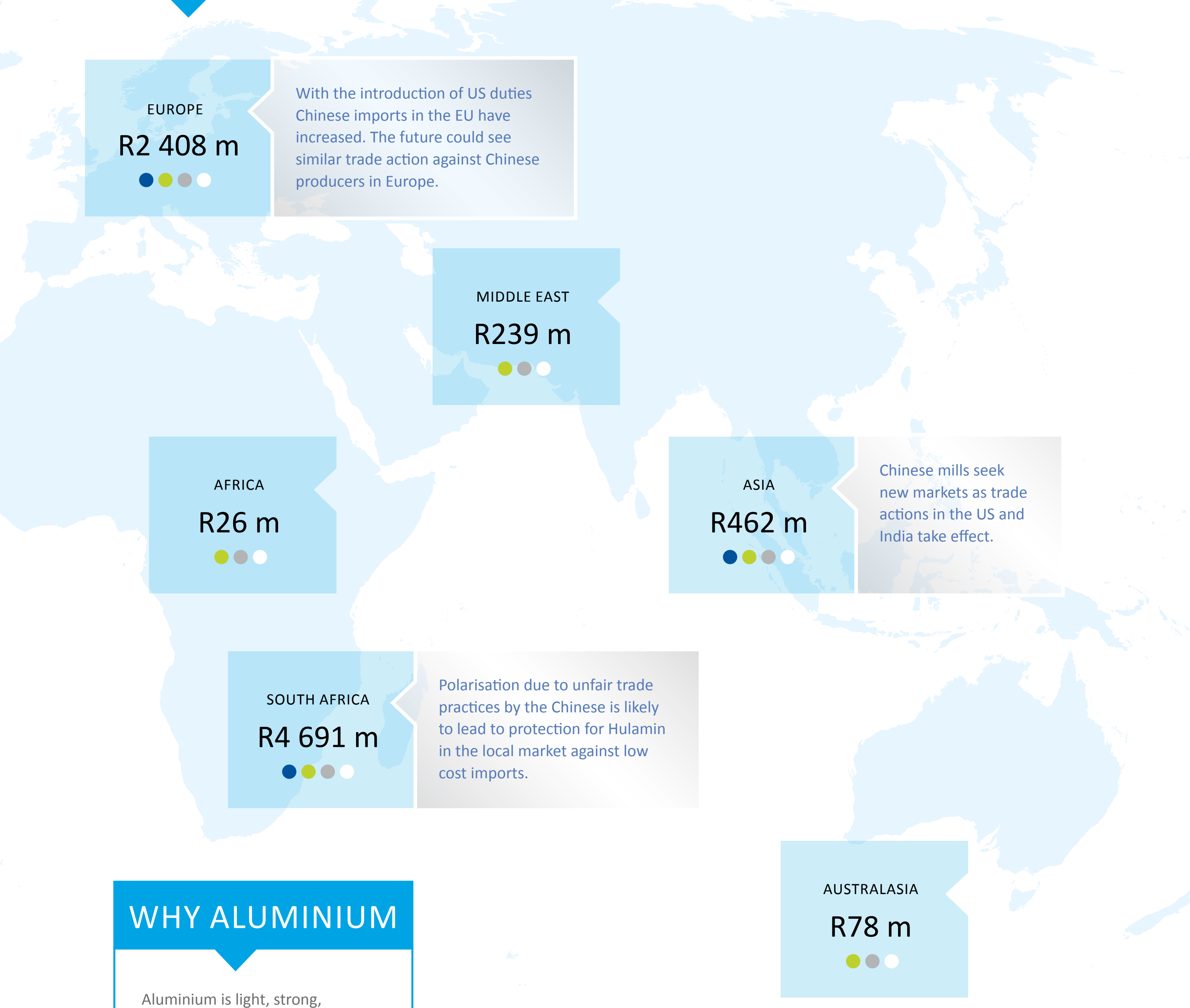
Based in Pietermaritzburg, Containers is a leading downstream business focusing on the production of standard and customised rigid aluminium foil containers for the local catering industry and for household use.

Hulamin Extrusions

With two plants, one in Midrand and one in Pietermaritzburg, Extrusions is a leading local supplier of standard and custom aluminium extrusions for use in largely the engineering and architectural markets.

Isizinda Aluminium

Through its aluminium casting facility in Richards Bay, Isizinda supplies Rolled Products with aluminium rolling slab.



WHY ALUMINIUM

Aluminium is light, strong, conductive, durable, flexible and easy to recycle. These along with many other qualities have inspired architects, engineers, artists and many other industries to see new and exciting possibilities. An increasing number of industries are becoming aware of how aluminium can solve challenges and benefit different applications and new areas are still being discovered. Aluminium truly is the metal of today – and tomorrow.

Our human and manufactured capital enables us to partner with our existing and potential customers to unlock new alloys for application in the industries and products of tomorrow. For more about our vision see page 22 of this report.

THINK FUTURE. THINK ALUMINIUM.

OPPORTUNITY AND RISK

Examining our capabilities to respond to the opportunities and risks in our operating context, resources and our stakeholder relationships, enables us to determine our strategic approach. For more about our strategic approach see page 34 of this report.

KEY

Hulamin transforms primary aluminium into two types of semi-fabricated products: rolled products and extruded products. Our products are used by downstream fabricators in a variety of industries, namely:

- ● Automotive and transportation
- ● Building and construction
- ● General engineering
- ○ Packaging

Salient features

FINANCIAL

	Unit	2018	2017
FINANCIAL PERFORMANCE			
Revenue	R million	**11 534**	10 304
EBITDA[1]	R million	**742**	715
Operating profit	R million	**(950)**	498
Attributable earnings	R million	**(773)**	304
Headline earnings per share	cents	**91**	95
Return on capital employed[2]	%	**6,0**	7,8
Return on equity[3]	%	**6,9**	6,8
Net borrowings to shareholders equity[4]	%	**7,7**	6,8
Net asset value per share	cents	**1 192**	1 455
Current ratio[5]		**3,1**	3,0
Free cash flows[6]	R million	**90**	296
Free cash flows (adjusted)[9]	%	**298**	296
Capital expenditure	R million	**242**	261
Sales volumes:			
Hulamin group sales volume	'000 tons	**245**	233
Rolled Products sales volume	'000 tons	**228**	215

Hulamin sells rolling capability. We buy aluminium at a point in time, apply capital, labour and energy to convert that aluminium into a wide range of products (see page 19) for local and global markets, and sell that converted aluminium after applying our technical expertise.

The operating profit includes a metal price lag gain of R4 million (2017: gain R150 million) which occurs due to changes in the rand aluminium price between the point of purchase and final sale.

	Unit	2018	2017
ECONOMIC INDICATORS			
Average Rand/US Dollar exchange rate	Rand	**13.25**	13.32
SHARE STATISTICS			
Total shares in issue	million	**320**	320
Share price (closing)	cents	**439**	609
Market capitalisation	R million	**1 403**	1 946

Our returns are materially impacted by the foreign exchange rate as we compete in a global market. Aluminium prices, certain input costs and our rolling margin (conversion fee) are all denominated in US Dollar.

NON-FINANCIAL

	Unit	2018	2017
EMPLOYEES AND SAFETY			
Total number of employees		**2 039**	2 020
Employee cost to turnover	%	**11,0**	11,7
Lost time injury frequency rate		**0,05**	0,22
Total recordable frequency case rate		**0,24**	0,59
SOCIAL AND TRANSFORMATION			
B-BBEE expenditure	R billion	**4 866**	4 095
CSI spend	R million	**4**	2
Carbon emissions intensity[7]	MT CO_2e/MT production	**1,5**	1,8
Energy consumption intensity[8]	GJ/MT production	**11,89**	11,54
Water consumption intensity	Kℓ/MT production	**2,52**	2,49

Our people are our value. Hulamin takes great pride in ensuring that we invest in, protect and give back to our people and the communities within which they live. More details on our interaction with our human capital and social capital is available on page 56 and page 58 of this report.

Five year review

	2018 R'000	2017 R'000	2016 R'000	2015 R'000	2014 R'000
INCOME STATEMENT					
Revenue	**11 533 818**	10 303 531	10 099 349	8 394 986	8 038 918
EBITDA[1]	**742 181**	714 800	807 514	444 141	659 988
Operating (loss)/profit	**(949 907)**	498 426	621 514	295 480	585 133
Net finance cost	**(73 701)**	(77 625)	(86 696)	(66 492)	(45 707)
(Loss)/profit before tax	**(1 023 608)**	420 801	534 818	228 988	539 426
Taxation	**250 197**	(117 038)	(149 885)	(65 274)	(154 498)
Net (loss)/profit attributable to equity holders of the company	**(773 411)**	303 763	384 933	163 714	384 928
Headline earnings attributable to shareholders	**292 200**	304 570	379 737	119 261	358 355
BALANCE SHEET					
Property, plant, equipment and intangibles	**1 944 930**	3 388 737	3 332 586	3 233 717	2 756 925
Retirement benefit asset	**133 860**	127 054	117 397	142 292	138 854
Deferred tax asset	**17 060**	21 152	25 463	20 260	25 450
Current assets (including non-current assets held for sale)	**4 415 609**	3 688 256	3 480 992	3 260 271	3 348 149
Total assets	**6 511 459**	7 225 199	6 956 438	6 656 540	6 269 378
Equity holders' interest	**3 802 621**	4 648 677	4 346 688	3 854 517	3 833 817
Borrowings: Non-current and current	**819 783**	428 699	652 444	1 045 401	686 144
Deferred tax liability	**221 060**	578 568	516 533	486 765	477 702
Retirement benefit obligations	**251 738**	266 767	258 879	227 997	236 369
Current liabilities (excluding current borrowings)	**1 416 257**	1 302 488	1 181 894	1 041 860	1 035 346
Total equity and liabilities	**6 511 459**	7 225 199	6 956 438	6 656 540	6 269 378
CASH FLOW					
Net cash inflow from operating activities	**331 618**	557 166	679 028	123 775	518 046
Free cash flow[6]	**89 874**	296 132	415 349	(419 554)	132 688
Free cash flow (adjusted)[9]	**297 874**	296 132	415 349	(419 554)	132 688
Net cash outflow from investing activities	**(241 744)**	(261 034)	(263 679)	(543 329)	(335 358)
Net cash inflow/(outflow) from financing activities	**333 352**	(287 405)	(405 393)	233 401	(124 724)
Net cash increase/(decrease) for the year	**423 226**	8 727	9 956	(186 153)	57 964

1 Earnings before interest, taxation, depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
2 Net operating profit after taxation (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed.
3 Headline earnings expressed as a percentage of average equity.
4 Current and non-current borrowings less cash, divided by equity.
5 Current assets divided by current liabilities (excluding borrowings).
6 Free cash flow is made up of cash flow generated from operations and cash flows from investing activities which equates to cash flows before financing activities.
7 Using Eskom emission factor.
8 Consumption of LPG and electricity.
9. Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.

Key performance indicators

FINANCIAL

Earnings per share
(242) cents
(2017: 95 cents)

Normalised earnings per share
77 cents
(2017: 64 cents)

R1.1 billion post-tax impairment recognised
(2017: Rnil)

Free cash flow
R90 million
(2017: R296 million)
Free cash flow (adjusted)[1] R298 million

Dividend of
18 cents
(2017: 15 cents)

Debt equity ratio
7,7%
(2017: 6,8%)

NON-FINANCIAL

Consistent and improving operating performance driving underlying financial delivery.

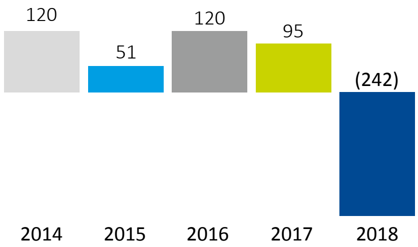
Cumulative R800 million free cash flow, R1 billion free cash flow (adjusted)[1], delivery in three years[2].

Record sales performance of 245 Ktons.

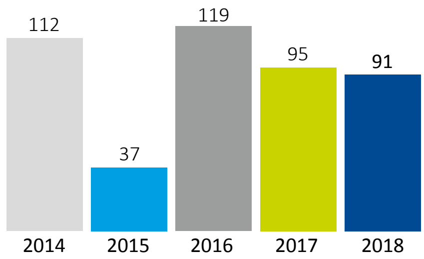
Hulamin is now one of the safest aluminium semi-fabricators in the world.

1. *Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.*
2 *Free cash flow and free cash flow (adjusted) over each of the three years is provided on page 9 under the cash flow section.*

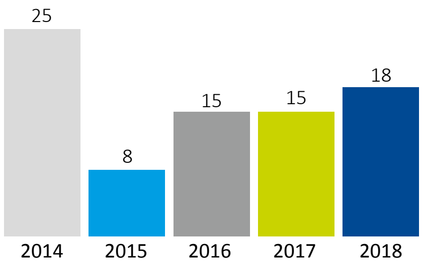
EARNINGS PER SHARE (CENTS)



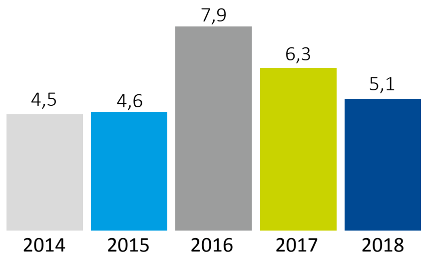
HEADLINE EARNINGS PER SHARE (CENTS)



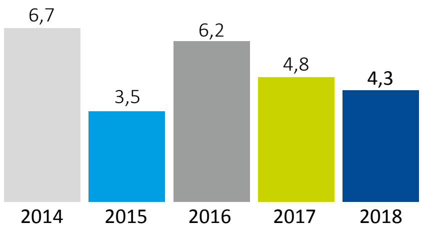
DIVIDENDS PER SHARE (CENTS)



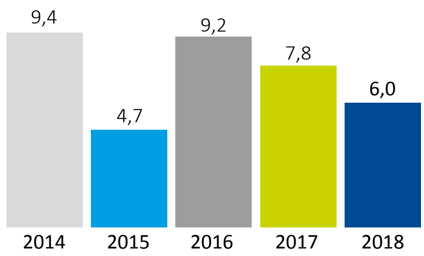
DIVIDEND COVER (CENTS)



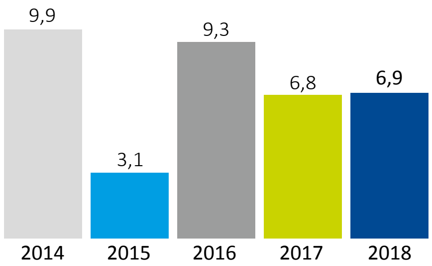
OPERATING MARGIN (%)



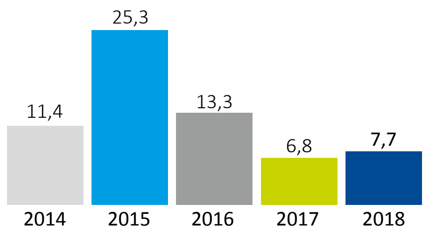
RETURN ON CAPITAL EMPLOYED (%)



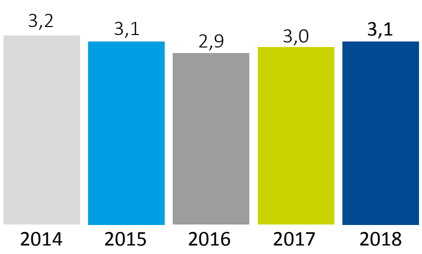
RETURN ON EQUITY ATTRIBUTABLE TO SHAREHOLDERS (%)



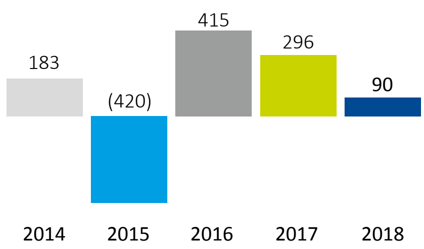
NET DEBT TO EQUITY (%)



CURRENT RATIO



FREE CASH FLOW (R'000)



Chairman's letter

THABO PATRICK LEEUW
Chairman

Hulamin extended its high levels of operational performance in 2018. This consistently high level of performance formed the basis for its ability to play its important role in the regional economy, its community, the environment and society at large.

In 2019, Hulamin will celebrate 80 years of existence in South Africa. Hulamin continued its important role in the economic, social, manufacturing, intellectual and natural eco-systems in the region in 2018, growing its footprint, creating value for stakeholders.

2018 proved a year of two halves for Hulamin. The context for the first half proved to be volatile with the Rand/USD exchange rate (that has such a major impact on Hulamin's financial performance) strengthening to below R11.50 early in the year. Optimism surrounding the election of President Cyril Ramaphosa began to wane from late March 2018. The Rand followed this sentiment, weakening to over R15.00 in early September.

RETIREMENT OF MR M MKWANAZI AS BOARD CHAIRMAN

Mafika Mkwanazi served Hulamin stakeholders as Chairman of the Board from June 2007 to April 2018. During this time, his exemplary and solid leadership provided a major stabilising force that helped the organisation navigate through numerous challenging times. I wish to express my heartfelt gratitude to Mafika for his selfless and passionate leadership. On behalf of all Hulamin stakeholders, thank you!

2018 PERFORMANCE

Hulamin once again achieved record operational performance in 2018. Not only did we beat previous production and sales record by around 6%, we also achieved our best safety record ever. The improving safety trend has been ongoing since 2015. It is clearly no coincidence that operational performance and safety trends have improved in parallel in recent years.

Notwithstanding the impairment charge of R1,45 billion in 2018 which arose largely due to the uncertainty of future cash flows as global markets continue to show signs of polarisation, the Board and I are proud of the underlying financial turnaround in the business since 2016 and are very focused on ensuring that this trend is sustained.

IMPROVING VALUE CREATION THROUGH BUSINESS MODEL REFINEMENT

The Board's mandate is to provide strategic leadership to management, and to be responsible for oversight on any changes to Hulamin's strategic direction that management propose. To this end, we have been engaged in an ongoing process to identify improvements to the Hulamin business model since 2016. In 2018, management presented a comprehensive pre-feasibility proposal for the reshaping of the Hulamin business model. This was internally know as Project Key, the "key" to unlocking value.

With a focus on growth, management's recommendations (which was approved by the board in July) included maintaining a simplified Pietermaritzburg rolling operation as the heart of Hulamin, and to expand the Hulamin footprint into new profit pools. These include establishing a can stock agency (resale) and technical service business, expansion into Africa with a focus on aluminium scrap collection and processing and possible investments into downstream fabrication of aluminium products. All of these areas of growth are proposed to be based on existing strengths, market positions (customers) and known opportunities.

TRANSFORMATION

The Board continues to place great value on the Hulamin contribution to the normalisation of the KwaZulu-Natal and South African societies. Hulamin has played a strong role in this area for many years though successes in creating opportunities for participation in the economy for those previously excluded. In 2018, the company focused on executing the Transformation plan that was approved by the board in 2017.

Through the Transformation, Social and Ethics Committee, the Board of Directors will continue to oversee its implementation.

We are again pleased to see further improvement in the 2017 BEE Scorecard assessment. Hulamin scored well to qualify for a Level 4 rating although was "discounted" one level as a result of not meeting the sub-minimum on Preferential Procurement (PP). We continue to encourage South32 to improve its BEE scorecard for the Hillside smelter due to its enormous impact on the scorecards, not only of Hulamin, but the entire Aluminium value chain.

ELECTRICITY AND ALUMINIUM SUPPLY

Hulamin continues to play a vital linking role in the Southern African aluminium supply chain. The enormous and globally competitive Hillside and Mozal smelters are critical to the aluminium and manufacturing economies in South and Southern Africa. A new long-term power supply contract is critical to ensure certainty and investment in the aluminium industry. The Board therefore encourages South32 and Eskom (and its mandatory oversight body, NERSA) to reach agreement to secure future long-term supply of electricity as soon as possible. In the absence of electricity supply certainty, there is serious risk to the sustainability of the industry and the tens of thousands of jobs dependent on the supply of primary electricity. The Board will continue to support management in this regard.

PROTECTION FROM SUB-ECONOMICAL IMPORTS

In 2018 Hulamin submitted applications for the increase in import duties for both rolled and extruded aluminium products. Although duties are in place for aluminium extrusions, the flood of subsidised aluminium from Asia have increased sharply in recent years. The board supports the rationale that in these challenging times, we cannot allow our precious manufacturing economy to close down operations due to other countries dumping low priced products in our market. We therefore call on ITAC and Government to protect local manufacturing and aluminium products specifically. This is particularly problematic at present as the USA market has begun to close its doors to Chinese imports, resulting in these exporters becoming increasingly desperate to seek alternative markets.

CONCLUSION

The board is pleased with the ongoing high operational performance levels achieved in 2018 and the proposed improvements to the Hulamin business model. The board supports management efforts to increase value to shareholder and stakeholders through the execution of plans described above. These revisions provide the basis for significant enhancement; an exciting future for Hulamin is dawning, one where the business exceeds the reasonable expectations of all its stakeholders.

Thabo Leeuw
Chairman

The business in context

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The business in context

Continued global oversupply of aluminium rolled products remains, largely arising out of China into unprotected markets.

57% **The percentage of global aluminium produced in China**

Why aluminium?

WHAT IS ALUMINIUM?

Aluminium is a metallic chemical element on the periodic table. In the early 1820's, aluminium was first physically converted into usable metal. Aluminium is the most widespread metal on earth, making up more than:

8%

of the earth's mass

3rd

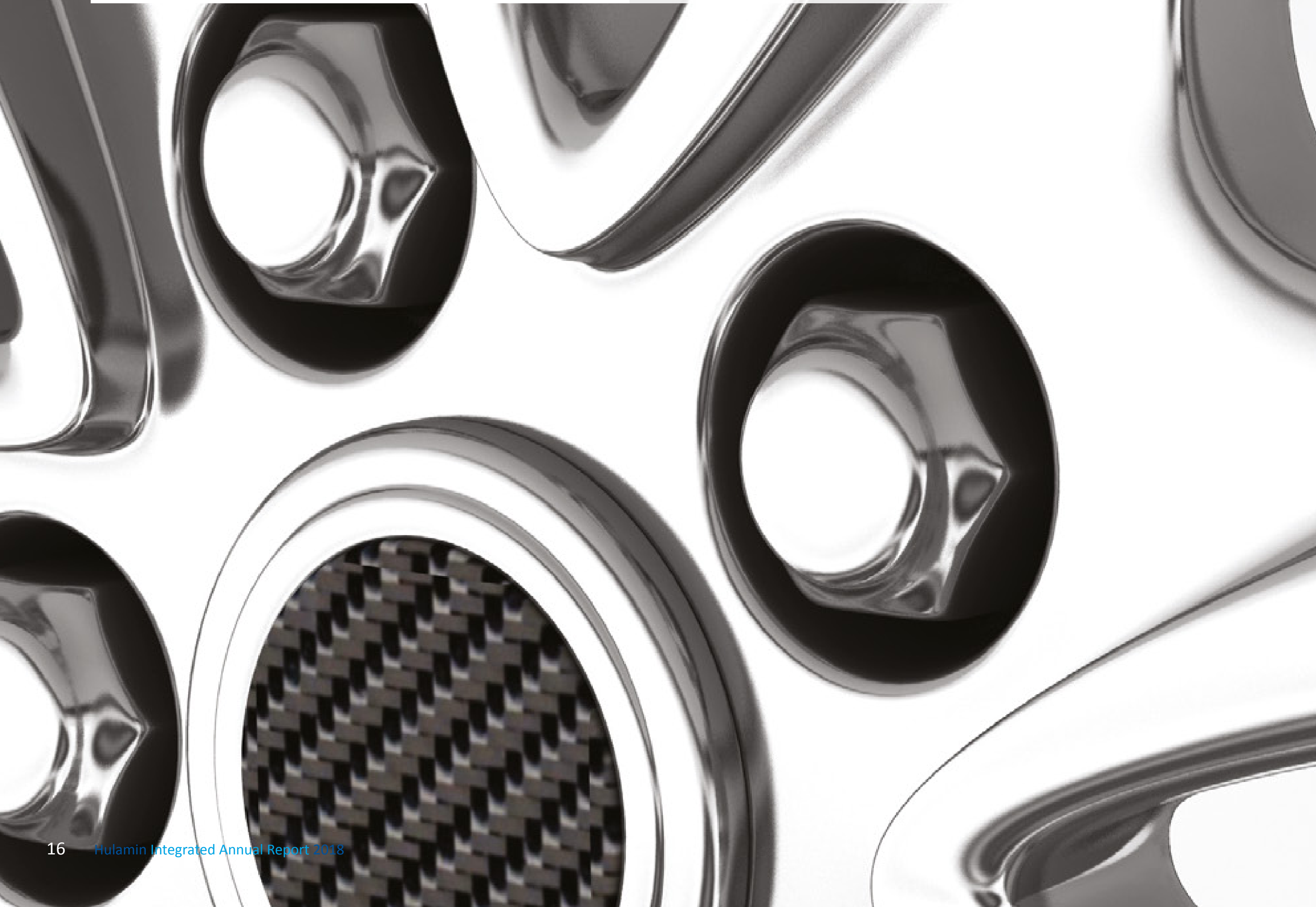
Most abundant element on earth

HOW VALUABLE IS IT?

The global price of aluminium is set to increase over the next

12 years

as the demand for the metal increases due to the metals various properties making it suitable for technological product innovation



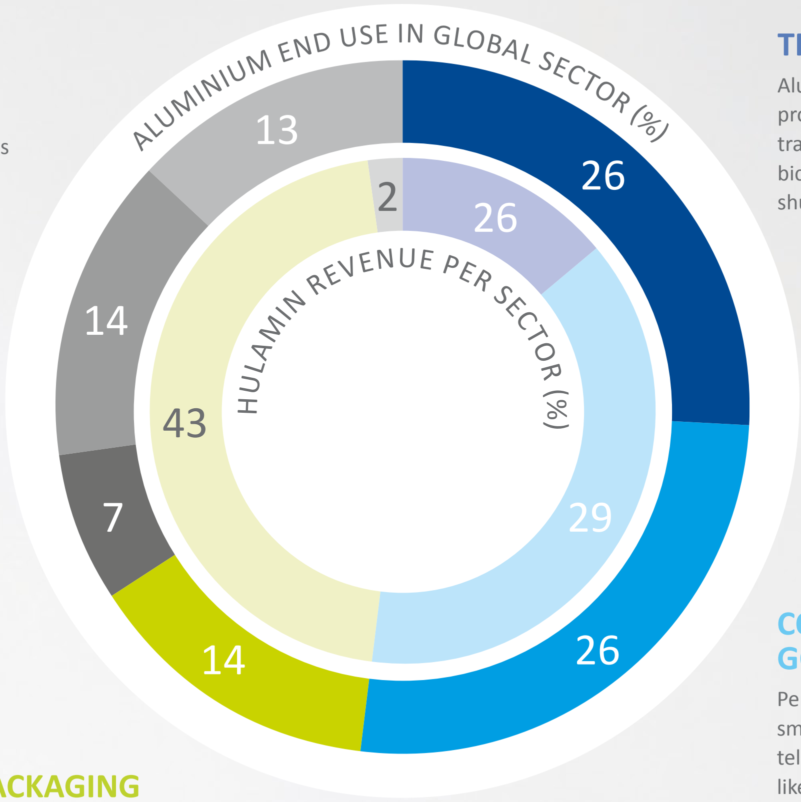
Aluminium is becoming a symbol of progress and innovation as it gains widespread adoption by a multitude of sectors worldwide due to its association with numerous "high-tech" applications such as electric vehicles and consumer electronics

CONSTRUCTION

Aluminium is used in the construction of modern architectural structures across the world. Providing framing support to glass and window structures

ELECTRICAL ENGINEERING

Aluminium's ability to conduct electricity makes it a core material in building power lines that power the world



TRANSPORTATION

Aluminium is used in the production of all forms of transportation – From bicycles and cars to space shuttles

CONSUMER GOODS

Personal computers, smartphones, flat screen televisions are most likely to be built with aluminium bodies

PACKAGING

Aluminium's ability to take any shape makes it an ideal packaging solution for various of consumer goods

HOW ALUMINIUM IS ALIGNED TO THE FUTURE

Aluminium's many uses stem from it being a metal that is aligned to the fast-changing and malleable world – aligned to the future.

SUSTAINABILITY
- Reduced carbon emissions
- Lower energy
- Freight efficiency
- 100% recyclable
- 75% of all aluminium ever produced still in use

STRONG ECONOMIC IMPACT
- Global consumption 63 million per annum
- African production 1,7 million per annum
- ± 1 billion tons in use

VERSATILE
- Reflective, strong
- High-tech

MOBILE
- Light
- Improved safety
- Improves fuel efficiency

The Hulamin business model

MANUFACTURED CAPITAL

Our production facilities include remelting and recycling facilities, direct chill ingot casting, hot and cold rolling mills, extrusions presses and finishing lines to ensure quality product delivery. Further investment in our finishing capacity is envisaged in the coming financial year.

SOCIAL AND RELATIONSHIP CAPITAL

The group plays an active part in uplifting the greater Pietermaritzburg community in which we operate.

HUMAN AND INTELLECTUAL CAPITAL

The group employs suitably qualified people and continues to invest in them. Our people are harnessed to enhance our intellectual capital to innovate in alloy properties for new product applications.

NATURAL CAPITAL

As a manufacturer the group is conscious of the impact it has on the natural resources available to the communities within which it operates.

FINANCIAL CAPITAL

The group's JSE-listing provides access to shareholder funds which is complemented by responsible borrowings.

RESOURCE ALLOCATION DECISIONS

The group allocates capital and resources in the best way possible to maximise value for stakeholders.

MATERIAL TRADE-OFFS

DECREASED short-term profitability

to

INCREASE cash flow generation

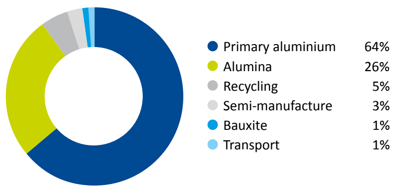
PRIMARY ALUMINIUM PRODUCTION

Aluminium production starts with the raw material **bauxite.** Aluminium oxide is extracted from Bauxite in a refinery.

Bauxite → Aluminium oxide

Process output

CO_2 EMISSIONS



The bonds in the Alumina atom are broken through a process of electrolysis.

CAPITALS REQUIRED

Alumina atom + Oxygen =

PRIMARY ALUMINIUM

EXPORT TOTAL
500 Ktons

SOLD TO OTHER SA CONSUMERS
10 Ktons

CRITICAL RELATIONSHIPS

The group has designated a senior executive with a specific focus on metal supply from South32. During the current year, the group continued to engage with South32 on matters of mutual interest. The relationship is considered effective.

CASTING

Primary aluminium ingots are alloyed with other elements such as copper, manganese and silicon for additional strength, corrosion resistance and other properties required by our customers. These are then cast into slab and billet for rolling and extruding.

HULAMIN

The group has its own remelt facilities, which includes a recycling facility providing the opportunity to use scrap metal, decreasing the negative impact on natural capital from the production of primary aluminium and imporiving productivity.

CAPITALS REQUIRED

ALUMINIUM INGOT 80 Ktons

VALUE-ADDED

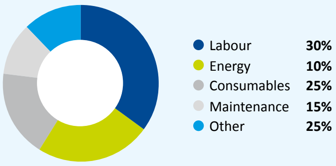
LIQUID METAL 130 Ktons

ISIZINDA CASTHOUSE

Isizinda's casting facility in Richards Bay supplies Hulamin with rolling slab. These cuboid shaped ingots are the input into the rolling process and are produced using a similar technique to billet. Billet are log-shaped castings produced for the extrusions process using a vertical direct chill process.

ROLLING AND EXTRUDING

PRIMARY INPUTS



HULAMIN ROLLED PRODUCTS

Hulamin rolled products produces:

- Technologically sophisticated sheet,
- Coil and plate,
- High-quality, tight tolerance and complex products,

For use in downstream industries.

CAPITALS REQUIRED

ROLLING SLABS 320 Ktons

PIPELINE

EXTRUSION BILLET 32 Ktons

HULAMIN EXTRUSIONS

Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

Aluminium can be extruded and shaped into a variety of tubes and profiles. Aluminium billets are heated to 500° Celsius an depressed through shaping tools to make various products.

FINISHING CAPABILITIES

FOIL ROLLING

Foil rolling is a form of cold rolling for very thin products and certain alloys. Our stand-alone foil mills are capable of further reducing cold rolled products to gauge as low as 6 microns.

PLATE PROCESSING

Some thicker rolled products do not require cold rolling. This group of products is generally known as plate. Most plate rolled by Hulamin is known as heat-treatable alloys. This process involves heating and controlled rapid spray cooling followed by artificial hardening the plates to temperatures between 150°C to 190°C. The plates can then be processed for width, length, flatness and surface finish. Automated shears, saws and cut-to-length lines cut plates to the required customer specifications.

ANODISING

This electrochemical process allows the thickness of the naturally occurring oxide layer on the aluminium surface to be artificially increased. With the anodising process a wide range of colours are available including bright anodising.

POWDER COATING

Powder coating offers a virtually unlimited choice of colours and is very durable. The profiles are pre-treated in order to clean and prepare the surface before it is sent through the spray booths where the electro-statically charged powder is sprayed and attracted to the face of the profiles to form an even coating.

For more on our manufactured capital see page 66 of this report.

OUR PRODUCTS AND APPLICATIONS

AUTOMOTIVE AND TRANSPORTATION

Radiators, charge air-coolers, condensers, evaporators, aerospace components, truck bodies, trailers, tankers, boats and train wagons.

ENGINEERING AND DURABLE GOODS

Industrial applications, coated and uncoated building products, electronics, computers and durable consumer goods.

BUILDINGANDCONSTRUCTION

Roofing, cladding, gutters, downpipes, household frames and industrial applications.

PACKAGING

Our can body and coated can-end and tab stock is used in the manufacturing of aluminium cars.

Our converter foil is used in the production of laminated cartons and confectionary packets. Our products also find application in household foil, rigid container foil laminated foil and closure sheet.

RECYCLING

Aluminium can be endlessly recycled without loss in quality.

Recycling aluminium is a sustainable, positive contributor to social, natural and financial capital:

Key resources we rely on

Our business model relies on a stock of capitals to function and operate

The allocation and utilisation of our capitals is done with a firm strategic intent in mind

INPUT AND UTILISATION

STRATEGIC INTENT

FINANCIAL CAPITAL

The group requires funding for day-to-day activities incorporated in its business model which allows it to generate value for all stakeholders. Funding is received from:

Investors: The group's largest investor is the Industrial Development Corporation representing 29,6% of all investors. Investors require returns on investment in the form of a growing share price (through a sustainable profitable business) and dividends.

Finance houses: The group has secured a three-year borrowing facility of R1,65 billion which includes a general 360-day facility of R350 million and a revolving working capital facility of R1,3 billion secured against receivables and inventory. Finance houses provide this capital in exchange for interest on the amount invested.

Strategic intent:

- Free cash-flow generation over the medium-term to build capabilities and invest in the assets of tomorrow
- Sustainable reductions in the investment in working capital to generate free cash flow

MANUFACTURED CAPITAL

PRIMARY ALUMINIUM

The group makes use of primary aluminium (as a raw material) as part of its remelt and casting operations which produce rolling slab and extrusion billet required for the manufacture of fabricated and semi-fabricated aluminium products.

Through a liquid metal supply agreement the group has secured the supply of liquid metal from South 32's Hillside Aluminium Smelter until December 2019.

Bayside casting facility: The Bayside cast house owned by Isizinda is effectively controlled by Hulamin and produces one-third of Hulamin's requirements of rolling slab for the rolling operations.

Remelt and Casting: Hulamin owns three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace.

Rolling: The rolling operations consist of hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tensioning levelling and foil finishing facilities. The plate plant is equipped with sawing, stretching and plate cut-to-length lines.

Extrusions: Two extrusions plants which include the ability to manufacture dies used in the extrusions press to produce the desired profile. Finishing options include powder coating, anodising and fabrication.

Strategic intent:

- Improved asset risk management systems and maintenance programmes result in improved manufacturing performance and product quality
- Invest in new assets and capabilities to support growth ambitions
- Integrate our digital strategy to enhance skills development, process capability and product development capability to build the assets of tomorrow

HUMAN CAPITAL

The Hulamin Group employs 2 039 people across its various business units.

The state-of-the-art technical equipment employed in the group's business model requires key engineering, metallurgical and manufacturing experience and key competencies and capabilities.

Strategic intent:

- Invest in our people through training and development to improve strategic accountability to drive decision-making and implementation
- Develop capabilities to grow new markets and consolidate existing market positions into defendable niche positions
- Create new skills and competence to interact with the assets of tomorrow in accordance with our digital strategy

NATURAL CAPITAL

Local aluminium smelters: The group relies on the Hillside smelter to produce primary aluminium. The Hillside smelter is highly energy and carbon intensive.

Rolling and finishing: As part of the manufacturing operations the group relies on the use of water, gas and electricity.

Strategic intent:

- Balance the impact on natural capital with our financial objectives
- Increase benefits available from scrap recycling to reduce the impact on natural capital.

SOCIAL, RELATIONSHIP AND INTELLECTUAL CAPITAL

The group leverages its relationships within the community in which it operates, with its supplier and its customers to create value for all stakeholders.

Government: Government provides support for the aluminum industry through government's stance on tariffs and duties and assistance with the downstream development of the aluminium value chain.

Suppliers: Strong relationships with suppliers ensures that the group is able to secure the long-term supply of key inputs into the manufacturing process.

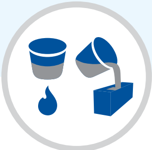
Customers and markets: Relationships with customers are key in developing new products and innovation to suit customer needs and expectations. Our customer relationships also provide us with the leverage require to profitably sell our finished products.

Strategic intent:

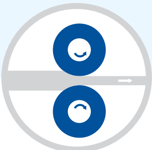
- Enhance customer relationships by driving innovation and servicing the customers of tomorrow
- Leverage government relationships to grow the local beneficiation of primary aluminium into a range of value added products

Our capitals enable us to carry out the activities that add value to Aluminium

ADDING VALUE THROUGH OUR ACTIVITIES



REMELT AND CASTING



ROLLING AND FINISHING

EXTRUDING

SCRAP RECYCLING

Refer to our business model on page 18.

Due to our activities, our capitals fluctuate and transform

TRANSFORMATION OF CAPITALS

Equity: Equity provider's book value R3,8 billion with a current market value of R1,4 billion. This indicator of impairment has been assessed on page 134 of the report.

Retained earnings for the current year have decreased by R773 million.

Dividends declared per share of 18 cents.

Borrowings
Net debt: R294 million

Net interest cost: R80 million

Cash generation
Net cash inflows from operating activities for the year ended 31 December 2018: R332 million

Our manufactured capital is subjected to wear-and-tear as finished goods are produced for sale to our customers to their quality specifications. The group takes asset management and maintenance programmes seriously and implements these programmes with consideration of production volumes lost.

Management implemented a trade-off between its manufactured capital and its financial capital.

KEY SALIENT FEATURES

Production
Rolled Products: 228 000 tons

Extrusions: 17 000 tons

Additions
Rolled Products: R215 million

Extrusions: R26 million

Repairs and maintenance
Rolled Products: R261 million

Extrusions: R24 million

Depreciation
Rolled Products: R215 million

Extrusions: R26 million

Employee's competencies and capabilities are used in operating manufactured capital to produce finished goods for sale to our customers.

Where required employees are provided with various self-development opportunities through the talent management and development programme, financial assistance for academic studies and an employee wellness programme.

During the current financial year the group has shared R1,2 billion in value with employees through guaranteed and variable remuneration structures.

During the manufacturing process Hulamin's impact on natural resources is as indicated below:

	Carbon footprint (tons CO_2e)	Electricity consumption (KWh)	Gas consumption (GJ)	Water consumption (Kℓ)
2016	1,76	1 274	6,58	2,66
2017	1,68	1 241	6,55	2,49
2018	**1,52**	**1 172**	**7,53**	**2,52**

The group interacts with all stakeholders through a formalised stakeholder engagement process. The needs of stakeholders are identified and our strategic response is altered where required to respond to the material needs of our stakeholders. Through this the group continues to enhance the social and relationship capital it has established with stakeholders.

Definition of value

THINK FUTURE. THINK ALUMINIUM. THINK HULAMIN.

The Hulamin circle of synergy lies at the heart of our vision. The circle of synergy illustrates our commitment to our customers, our people and our communities and acts as the vehicle through which we frame, defined and provide value to our stakeholders and ourselves. Leveraging our key relationships Hulamin creates stakeholder value through delivering a high-tech, end-user focussed product, developing downstream capability in the local market and driving industrialisation through strong African partnerships whilst contributing to a better, more inclusive world.

Before defining the value we wish to create, we ensure we have the conducive foundations

VALUE-CREATION PILLARS

EFFICIENT CAPITAL ALLOCATION

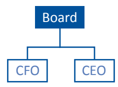
Refer to our business model on page 18 and our appropriate capital allocations on page 80.

FORWARD-LOOKING STRATEGY

Refer to our strategy on page 35.

VALUE-PROTECTINGLEVERS

EFFECTIVE LEADERSHIP



Refer to our board of directors and executive committee on page 30 and their function on page 80.

SOUND RISK MANAGEMENT

Refer to our risk management process on page 38.

This firm foundation enables us to be in a position to define value in a way that is bespoke to the complexities and nuances of our stakeholders

CUSTOMERS

We define value for our customers as the access to a unique mix of technical expertise, high technology manufacturing capabilities with responsive customer service.

SHAREHOLDERS AND BROADER STAKEHOLDER BASE

We define value as the generation of sustainable financial returns, contributing to the national development plan and contributing to the national current account through the exportation of semi-fabricated aluminium.

EMPLOYEES

We define value as the opportunity to grow through career development and the provision of competitive remuneration and rewards – enabling employees to reach their full potential.

COMMUNITY

We define value as a contribution to, and a facilitating of, a thriving local economy that services those who are directly and indirectly affected by our operations.

ALL DELIVERING VALUE THAT IS TAILORED TO OUR STAKEHOLDERS, BUT ALSO ALIGNED TO SOUTH AFRICA'S ECONOMIC VISION

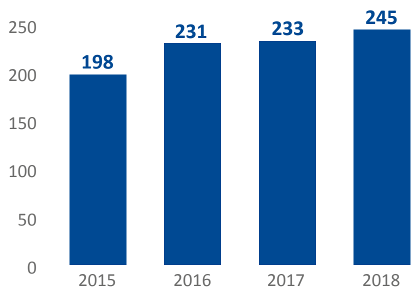
Value delivered

CUSTOMERS

Technical expertise and manufacturing capability

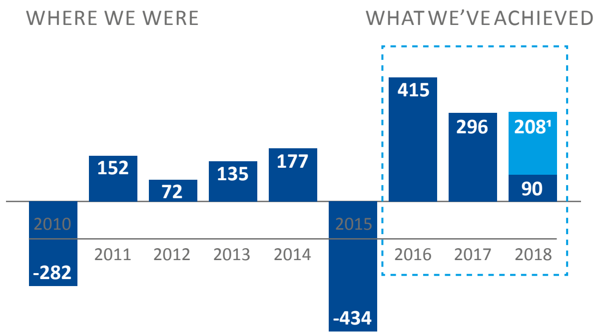
R241 m invested in sustaining manufactured capital

ANNUAL SALES VOLUMES (KTONS)



SHAREHOLDERS AND BROADERSTAKEHOLDER BASE

Generation of sustained free cash flow



Full year dividend distribution

R57 m

Improved free cash flows result in a stronger balance sheet with improved debt covenant ratios

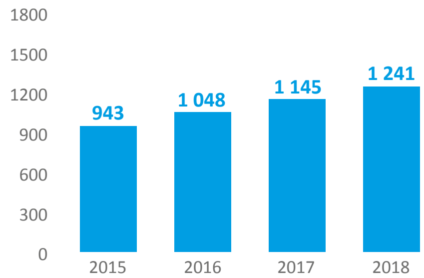
[1] *For more information on free cash flow adjusted see the Supplementary information section of the financial capital report.*

	R11 534 m	REVENUE ^ 12% (2017: R10 304 million)
–	**R10 666 m**	COST OF SALES ^ 16% (2017: R9 172 million)
–	**R644 m**	OTHER OPERATING EXPENSES ^ 18% (2017: R545 million)
+	**R277 m**	OTHER GAINS AND LOSSES ^ 413% (2017: -R88 million)
–	**R74 m**	NET FINANCE COST v 5% (2017: R78 million)
–	**R134 m**	TAXATION ^ 17% (2017: R117 million)
=	**R293 m**	**TOTAL VALUE BEFORE IMPAIRMENT v 4% (2017: R304 million)**

EMPLOYEES

Employer of choice

ANNUAL REMUNERATION (R'000)



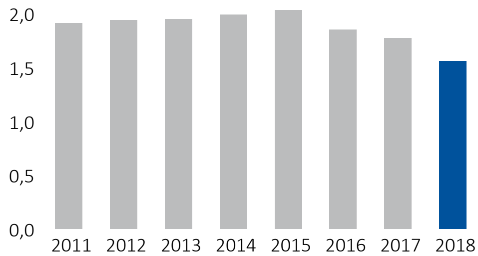
Introduction of the Hulamin Talent Universe Programme

R37 m invested in the training and development of our people

COMMUNITY

Creating opportunities in and giving back to the Pietermaritzburg community

CARBONFOOTPRINTINTENSITY(TCO2E/MTPRODUCTION)

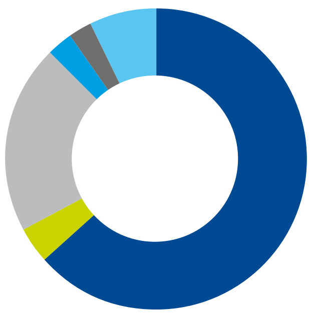


R2 695 m invested through Enterprise Supplier Development

Sponsorship of annual Carreer Day Fair

CSI spend **R4 m**

TOTALVALUEDISTRIBUTED



R9 814 m TO SUPPLIERS ^ 6% (2017: R8 800 million)

R74 m TO FINANCIERS v 5% (2017: R78 million)

R1 240 m TO EMPLOYEES ^ 8% (2017: R1 145 million)

R127 m TO GOVERNMENT ^ 9% (2017: R117 million)

R48 m TO SHAREHOLDERS > 0% (2017: R48 million)

Stakeholder engagement

GOVERNMENT

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Local, provincial and national government licenses us to operate and provides a supportive regulatory environment through tariffs and duties to level uneven regimes.

HOW WE HAVE ENGAGED

- Personal meetings and written correspondence through our Corporate Affairs Executive
- Participation in industry forums including Aluminium Federation of South Africa and the Manufacturing Circle

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Continual and responsible contribution to regional development through:

- Job retention and creation;
- Transformation and empowerment;
- Safer workplaces;
- Healthy competition among business;
- Energy consumption reduction; and
- Environmental sustainability.
- Investment in the economy.

STRATEGIC RESPONSE

- Development of the Richard's Bay hub to facilitate downstream development.
- Recycling initiatives to create employment opportunities and reduce energy consumption.
- The development of the Aluminium Beneficiation Initiative to identify and develop black entrepreneurs.

RESOURCES NEEDED TO RESPOND

PROVIDERS OF FINANCIAL CAPITAL

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Shareholders, investment community, creditors and lenders who provide us with the financial capital required to sustain our growth.

HOW WE HAVE ENGAGED

- Road shows and regular presentations.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Sustainable growth and return on investment through:

- Sustainable returns;
- Supportive regulatory and business environment; and
- Future growth for the business.

STRATEGIC RESPONSE

- Aggressively attack costs and develop cost-focused culture.
- Investing in capability and technical partnerships to develop new, higher value products.
- Improving free cash-flow generation to provide consistent returns to providers of capital.

RESOURCES NEEDED TO RESPOND

CUSTOMERS

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Our customers are down-stream manufacturers in various industries including, packaging, general engineering, automotive and transport and building and construction. We are reliant on our customers and potential customers to sustain revenue-generation and growth.

HOW WE HAVE ENGAGED

- Meetings and site visits.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS

ISSUES RAISED

Reliable service, good quality products and competitive prices through:

- Long-term security of supply;
- Consistent supply of products; and
- Improved manufacturing capability and product range.

STRATEGIC RESPONSE

- Secure metal supply through recycling facilities and the acquisition of Isizinda.
- Improve customer on-time delivery performance by re-engineering the sales and operations planning approach.
- Investing in digital to develop intellectual property for the assets of tomorrow

RESOURCES NEEDED TO RESPOND

Effectiveness of engagement – KEY

Effective | Sufficient | Improvement to be made

SUPPLIERS

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Suppliers of metal and other products and service providers are important, as we are reliant on them to provide safe, good quality and good value products and reliable services that support growth.

HOW WE HAVE ENGAGED

- Meetings and site visits
- Performance audits and reports.

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS: Sufficient

ISSUES RAISED

Continued growth of operations and relationships through:

- Long-term supply contracts;
- Efficient payment cycles.

STRATEGIC RESPONSE

- Focus on enterprise development spend to grow small upcoming suppliers
- Facilitating partnerships between established and emerging enterprises to allow for skills transfer
- Establishment of supply contracts with performance management metrics.

RESOURCES NEEDED TO RESPOND

EMPLOYEES

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

Employees are the key underpin to achieve operational performance and objectives.

HOW WE HAVE ENGAGED

- Internal newsletters
- Employee engagement survey
- Shop floor briefings
- Communication boards
- "Town Hall" meetings

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS: Effective

ISSUES RAISED

Provision of gainful and safe employment through:

- Employment security;
- Safe working conditions;
- Competitive remuneration and benefit packages;
- Workforce transformation;
- Information and communication; and
- Participation and empowerment.

STRATEGIC RESPONSE

- Continued investment through training and development.
- Strategic transformation targets.
- Talent pipeline.
- Bursary schemes.
- Employee share ownership plan.

RESOURCES NEEDED TO RESPOND

COMMUNITIES

WHO THEY ARE AND HOW THEY CONTRIBUTE TO VALUE

We build and nurture existing relationships, and create a conduit to better understand community needs and interests. This allows us to contribute to transformation, enterprise development and various corporate social investment initiatives.

HOW WE HAVE ENGAGED

- Public meetings
- Community outreach programs

EFFECTIVENESS OF ENGAGEMENT IN UNCOVERING STAKEHOLDER CONCERNS: Effective

ISSUES RAISED

Responsive contribution to community interest and needs through:

- Support for key community developments and activities;
- Sponsorships and donations;
- Employment opportunities; and
- Support for environmental initiatives.

STRATEGIC RESPONSE

- Continued commitment to established CSI programmes.
- Reduced carbon emissions for a cleaner environment.

RESOURCES NEEDED TO RESPOND

Strategic leadership

30 Board of Directors

31 Executive Committee

32 The External Environment

34 Unpacking the Strategy

36 Our Performance Scorecard

38 Risk Management

50 Chief Executive Officer's Report

Strategic leadership

The board is diverse in demographics, skills and experience to provide strategic leadership to the group

63% **Non-executive independent executives**

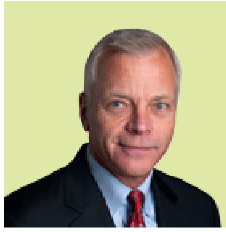
Board of directors

THABO PATRICK LEEUW (55)
Chairman of the board
RHSE | CC | RN

RICHARD GORDON JACOB (53)
Chief executive officer
RHSE | TSE

CHARLES ALEXANDER BOLES (49)
Independent non-executive
RN | A

VUSI NOEL KHUMALO (56)
Non-executive
TSE | CC



ROBERT LARSON (63)
Independent non-executive
RHSE

ANTON PAUL KRULL (44)
Chief financial officer
RHSE

NARAN MAHARAJH (52)
Independent non-executive
A | RHSE | CC

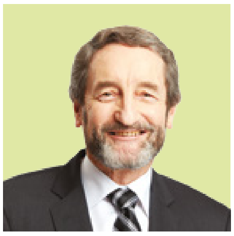
NOMGANDO MATYUMZA (55)
Independent non-executive
A | RN | CC

DR BONAKELE MEHLOMAKULU (46)
Independent non-executive
RHSE | TSE

MOSES ZAMANI MKHIZE (57)
MD: Hulamin Rolled Products
RHSE

SIBUSISO NGWENYA(65)
Non-executive
TSE

PETER HEINZ STAUDE (65)
Independent non-executive
RHSE | CC

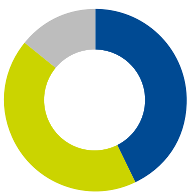


GEOFFREY HAROLD WATSON (67)
Independent non-executive
RN | RHSE | CC

GCINACECILZONDI(45)
Alternative non-executive

The Hulamin Group Board of Directors provides strategic leadership to the group with due regard to all stakeholders. The Board is diverse in demographics, skills and experience and consists of 63% independent non-executive directors, 19% non-executive directors and 18% executive directors.

BOARD DEMOGRAPHICS



- ACI male 43%
- White male 43%
- ACI female 14%

ACI: African, Coloured and Indian

COMMITTEES

A	Audit Committee
CC	Chairman's Committee
RN	Remuneration and Nomination Committee
RHSE	Risk and Safety, Health and Environment Committee
TSE	Transformation, Social and Ethics Committee

The executive committee

RICHARD GORDON JACOB (53)

Chief executive officer
Joined Hulamin in 1990

ANTON KRULL (44)

Chief financial officer
Joined Hulamin in 2008
Rejoined Hulamin in 2016

MOSES MKHIZE (57)

MD: Hulamin Rolled Products
Joined Hulamin in 1982

AYANDA MNGADI (44)

Corporate affairs
Joined Hulamin in 2016

HECTOR MOLALE (52)

Business development
Joined Hulamin in 1993

CLAYTON FISHER (42)

Strategy and supply chain
Joined Hulamin in 2009

MARLENE JANNEKER (46)

Human capital
Joined Hulamin in 1995

FRANK BRADFORD (58)

Metal supply
Joined Hulamin in 1993

DARRYL WEISZ (55)

MD: Hulamin Extrusions
Joined Hulamin in 2012

MARLON REDDY (49)

Technical and safety
Joined Hulamin in 2001

RODNEY GREEN-THOMPSON (44)

Manufacturing director: Rolled Products
Joined Hulamin in 1994

IAN SMITH (49)

Sales and marketing
Joined Hulamin in 2003

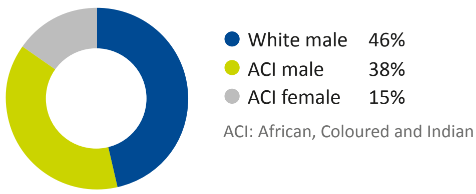
ZITHULELE GUMEDE (46)

Market development
Joined Hulamin in 1991
Rejoined Hulamin in 2017

The Executive Committee is responsible for delivering the strategic objectives as set by the Board of Directors. The Group Executive Committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and 11 other suitably skilled and experienced members of senior management.

EXECUTIVE DEMOGRAPHICS

Refer to our website at www.hulamin.co.za for a detailed résumé of the Board of Directors and of the Executive Committee.



Note: Ages quoted are at 31 December 2018.

The external environment

Our business does not exist in isolation. As we compete in the world semi-fabricated aluminium market with more than 50% of our goods exported, we are exposed to market forces and developments both within and outside of our borders.

In this context it is important that we understand:

- The drivers behind these dynamics and how they interact,
- Their implications for our business, and
- How we can best navigate them in the short, medium and long term.

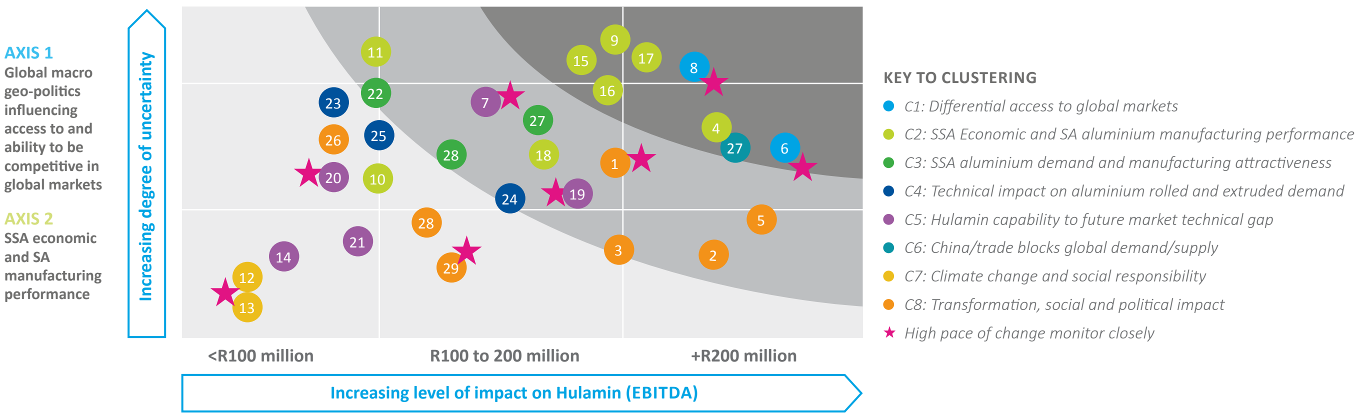
Scenario planning methodology described in the Risk management section is used to analyse the external and internal environment.

Hulamin five year scenarios

In order to derive five-year scenarios, Hulamin analysed all the driving forces impacting its business. By clustering the drivers and looking at correlations and impact between them, eight underlying forces have been identified as shown in this picture.

In the two to five-year time frame, the two most uncertain forces with the biggest impact on Hulamin formed the two axes that were used to describe possible future scenarios:

- Global macro geo-politics influencing differential access for Hulamin to global markets
- South African economic and manufacturing performance



From the above analysis Hulamin then identified the following four scenarios (see next page) as relevant to Hulamin over the two to five year timeframe:

During 2018, the SA economy remained sluggish and polarisation worldwide increased, moving us to “Most favoured nation”. Pricing pressure in SA increased whilst opportunities for Hulamin in the USA improved. Depending on the results of the South African elections and traction of a possible “new dawn”, we could move to “Best of times” in 2019/2020, but should be ready for potential slide to “Proudly African” or even “Things fall apart” if we lose differential access to global markets. We regard the four scenarios as possible futures and have developed a strategy incorporating “no regret” capability build enablers and specific strategic options, to be triggered by future events.

The main purpose of describing the scenarios is to identify the likely characteristics of each scenario (i.e. review all the key driving forces and trends in the risk register under each scenario) and how this will impact Hulamin so that strategic actions and options can be developed.

Refer to page 48 for strategic enablers, capabilities and options. These were used to inform the strategic response (page 35).

High differential access and ability to compete in chosen export markets **(POLARISATION)**

SCENARIO 3 – MOST FAVOURED NATION

- International trade policies focus on China and enable Hulamin to attractively access chosen export markets
- Weaker Rand prevails
- Economic growth in SSA over recent years does not translate into benefit for Africans and inequality levels continue to widen – ensuing social and political instability results in subdued economic progress in SSA.
- Despite more subdued local demand, local operating environment does not preclude Hulamin from being able to compete effectively on global stage

SCENARIO 1 – THE BEST OF TIMES

- Thriving local economy results in strong local demand and is supported by beneficial industrial and manufacturing policy (including trade protection)
- Demand in SSA fuelled by growing middle class, however polarised world results in uneven FDI (mostly from Asia-Pacific, especially China), uneven and isolated growth and higher competition in SSA region from China as they get "closed out" of other key markets.
- International trade policies remain focused on China and do not inhibit Hulamin access to export market at attractive margins, despite relative Rand strength

Struggling SSA economy with continued decline in South African manufacturing sector **(COMING UP SHORT)**

SA ECONOMY & MANUFACTURING SECTOR PERFORMANCE

Strong SSA economy driving industrialisation, resurgence of South African manufacturing sector **(NEW DEAL)**

GOVERNMENT IMPACT ON DIFFERENTIAL ACCESS TO MARKETS

SCENARIO 4 – THINGS FALL APART

- Counter-productive policy choices lead to deterioration of South Africa's competitiveness and economic health resulting in weakening of terms of trade and subdued domestic demand and rising sovereign risks
- SSA regional integration improves, but non-inclusive growth agenda results in social instability and sub-optimal growth across the region.
- Poor operating environment/ infrastructure means Hulamin is globally uncompetitive, exacerbated by Chinese material permitted access to global markets

SCENARIO 2 – PROUDLY AFRICAN

- Strong local demand driven by thriving and stable SA local economy
- Strong SSA economy with inclusive growth agenda and infrastructure investments that support local manufacturing. Strong FDI in SSA from a range of countries including US, Europe, China. Regional FTA in place provides RSA differential access to rest of SSA.
- However, relatively open key export markets pervasive and impacts Hulamin's ability to compete abroad (especially in US and EU)

Low differential access and ability to compete in export markets **(GLOBALISATION)**

Hulamin have highlighted key issues relating to these categories of driving forces, which affected our business in 2018 as well as our approach to managing the challenges and opportunities that they represent. These key issues and risk factors from the scenario are described in detail in our Risk register summary on pages 44 to 47. By putting ourselves in the future, Hulamin have gained a much better understanding of what to do pre-emptively in different scenarios and have identified early warning signals ("flags") that need to be monitored.

Unpacking the strategy

MATERIAL MATTERS

The Executive Committee has undertaken a situational analysis to determine possible future scenarios that could form the basis of Hulamin's external environment in the medium term. For each identified scenario the Executive Committee has developed strategic options and actively monitors how the future is unfolding to assess which scenario, or combination of scenarios, are becoming increasingly likely and how Hulamin can influence the outcome of each scenario for the benefit of all stakeholders.

Hulamin's strategy is flexible and agile to allow the Executive Committee with the ability to adapt to changes in the external environment. During the current year, the following material matters had the most material impact on the outcomes of our strategic objectives in the current financial year and have continued to shape our short-term strategic objectives for 2019. More details about our external environment and an analysis of our risks and opportunities are provided on page 32 and pages 38 to 49.

THREAT: Global over-supply of aluminium rolled products.

THREAT: Stagnant local market demand for extruded products accompanied with Chinese dumping.

THREAT: Commoditisation of key products places pressure.

OPPORTUNITY: The world seems to be moving towards polarisation, which may provide protection in the South African market, and new opportunities where Hulamin enjoys preferential access to export markets.

OPPORTUNITY: Pressure is building in various industries to ensure environmental sustainability materials are used. Aluminium is fully recyclable at lower energy inputs than required for primary aluminium production.

OUR ENABLERS

To drive short-term cash flow delivery through a range of additional operational improvements, whilst developing capabilities required to implement long-term strategic objectives and position the group for growth. The below key enablers are required:

Enabler	Driving focus cluster	Reference
E1. Transformation	Transformation, social and political impact	C8
E2. Talent management	Hulamin capability	C5
E3. Sustainability	Climate change and social responsibility	C7
E4. Supportive regulatory environment	South African economic and manufacturing performance	C2
E5. Enterprise performance management	Hulamin capability	C5

Refer link to enablers and strategic capabilities as key risk mitigating requirements for Hulamin on page 48.

OUR STRATEGIC RESPONSE

1

Drive cash-flow to earn the right to invest

Free cash-flow generation is the core requirement to enable the group's medium-term and long-term strategy. In order for the group to remain competitive and sustainable, it must improve performance in the following three areas:

1(a) Benchmark operational performance

Benchmark operational performance drives cash-flow delivery through:

- increasing sales volumes aligned to product mix enhancements;
- reducing costs;
- increasing scrap inputs; and
- mitigating operational risk

1(b) Reducing investment in working capital

The group has focused on embedding a working capital and efficiency improvement programme that will realise systematic improvements in both trade receivables and inventories.

1(c) Product and market segment re-positioning

The group is currently implementing a rationalisation programme to reduce unprofitable complex products, optimising the mix and increase higher margin products. Niche product focus will assist in improving margins.

KPI

Free cash-flow generation over the next five years in excess of R3 billion, supported by:

- Sustainable reduction in inventory and trade receivables days on hand
- Production volume growth
- Cost reduction and improvement
- Overall USD/ton conversion margin
- Percentage metal inputs from recycled scrap

2

Build capabilities to enable future business model execution

Business capability refers broadly to the ability of the group to deliver its strategic objectives. Business capability consists of people, process and systems which need to work in synergy to ensure successful delivery of Hulamin's longer-term vision under any unfolding scenario. The scenarios described on page 33 identified key risk mitigating factors in the following areas:

2(a) Technology research and innovation

Hulamin seeks to foster a strong innovation culture by working closely with customers, suppliers and partners, co-creating and investing in new innovative products through the use of relevant technologies to enhance skills development, process capability and product development capability.

2(b) New product and market development

The group is currently investing in additional capabilities to improve market research and analysis and becoming a leader in introducing new products and alloy properties into markets. Niche product development will assist in improving margins and volumes in new growth segments.

2(c) Internet technology and digitisation

A digital innovation strategy can unlock many opportunities in current operations, while positioning Hulamin for global competitiveness across its operations and the value chain from suppliers to customers. Hulamin is undertaking a digitalisation strategy process that will seek to leverage emerging technologies that are collectively referred to as part of 'Industry 4.0'.

3

Implement the strategic business model changes

With increasing global competition in aluminium rolled products, for Hulamin to achieve a step change in margin realisation in the future, a significant shift is required in the manner in which we operate. Supported by improving free cash-flow generation and investment in strategic capabilities, Hulamin seeks to implement a new strategic business model that includes:

- product range simplification and focus on niche higher-value product range;
- partnering with low-cost operators to supply sub-Saharan Africa and global markets in beverage cans and packaging segments, leveraging the Hulamin brand;
- investment in downstream manufacturing capabilities to secure niche market segments;
- harnessing the power of scrap metal; and
- investing in business of the future.

The evaluation and investment in these business model changes are guided by the strategic risk management process described from page 38, with strategic options (see page 49) derived from the scenario planning exercise only triggered when the identified flags indicates specific unfolding scenarios.

Our performance scorecard

Our performance scorecard provides an overview of how we have delivered in the year and tracks and reports how we create value through the use of our manufactured capital. It shows our progress against several Key Performance Indicators (KPIs) that are linked to the delivery of our strategy to create value for our stakeholders.

KPI	2018 Target	2018	2017	2016
Sales volume	>240 000 tons per annum	**245 310**	233 210	231 583
Rolled Products production volume	>215 000 tons per annum	**223 756**	214 339	211 436
Overall yield	>67%	**66.1%**	66.9%	67.4%
Rolled Products conversion cost per ton (index)	Cost reduction of R100 million to maintain unit cost level	**95.0**	90.1	95.7
USD/ton rolling margin (index)	Increasing average margins	**85**	82	83
Scrap as % of metal input	12% of metal requirement	**11%**	11%	8%
Energy consumption intensity (GJ/MT Production)	Constant or decreasing per metric ton produced	**11.89**	11.54	11.68
Carbon emissions intensity (MT CO_2/MT production)	Constant or decreasing per metric ton produced	**1.52**	1.68	1.76
Water consumption intensity (Kℓ/MT production)	Constant or decreasing per metric ton produced	**2.52**	2.49	2.66
Lost time frequency rate	<0.18	**0.05**	0.22	0.03

KPI	2018 Target	Performance
Sales volume	Sales volume in excess of 240 000 tons per annum	Risk mitigation systems continue to be effective and plant reliability stable. Consequently another record year of sales volumes, 245 000 tons for the group (and a record 228 000 tons for Rolled Products), was achieved.
Rolled Products production volume	Rolled Products production volumes in excess of 215 000 tons per annum	Rolled Products built on the strong manufacturing performance delivered in the prior year as the plant continued its strong performance. Rolled Products again achieved record production levels of 223 000 tons in the current year.
Overall Yield	Yields greater than 67%	Yields continue to remain stable as manufacturing performance remains reliable due to the implementation of appropriate asset life cycle planning.
Rolled Products conversion cost per ton (index)	Managed cost increases	The group continues to drive cost saving initiatives to minimise the cost base.
USD/ton rolling margin (index)	Increasing average margins	Rolling margins showed improvement on the prior year as Hulamin finds benefits from the anti-dumping and countervailing duties imposed by the USA on China.
Scrap as % of metal input	12% of metal requirements	Scrap inputs remain largely consistent with the prior year although lower sales of can body stock in the local market.
Energy consumption intensity (GJ/MT production)	Constant or decreasing metric ton produced	The group continues to put in place measures to lower energy consumption intensity. The group's energy consumption consists of fuel gases (61%), electricity (35%) and liquid fuels (4%). Specific actions to reduce our energy consumption is available in our sustainability report available at www.hulamin.co.za.
Carbon emissions intensity (MT CO_2/MT production)	Constant or decreasing metric ton produced	The group converted a number of furnaces to natural gas with 2018 being the first full year with a new energy mix. The change in the energy mix had a positive effect on GHC emissions as natural gas has a lower carbon footprint than LPG.
Water consumption intensity (Kℓ/MT production)	Constant or decreasing metric ton produced	The group continues to find ways to decrease water consumption. The objective is to migrate to an automated water management system to allow better understanding of water consumption trends so that future reduction opportunities are identified. Further information on Hulamin's water reduction efforts is available in our Sustainability Report available at www.hulamin.co.za.
Lost time frequency injury rate	<0,18	Hulamin continues to monitor high-pontial hazards and incidents that caused injuries from them and improve safety behaviour and conditions. Further information on our safety interventions can be found in our Sustainability Report which is available at www.hulamin.co.za

Risk management

INTRODUCTION

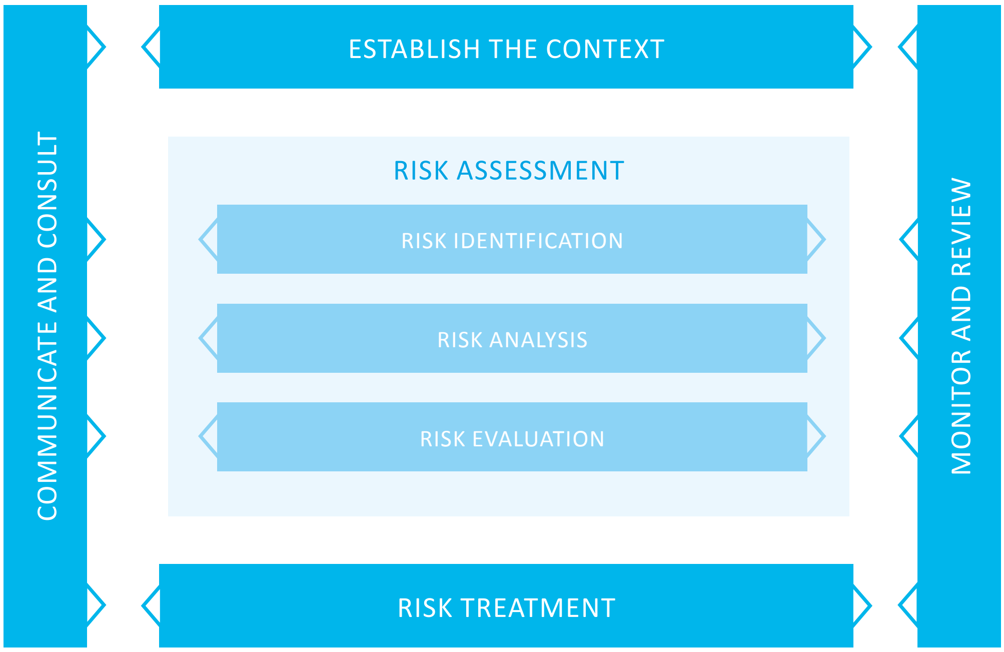
The employment of an effective risk management process is critical to Hulamin achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. Hulamin recognises that risk is intrinsic to the business and that there is a balance to be struck between managing risk and exploiting opportunities. The group's response to identified risks includes acceptance, avoidance, transfer and mitigation, as informed by the group's risk appetite and tolerance levels as shown in the diagram.

It is Hulamin's policy that risks should be understood and managed through a relevant and formal structure to facilitate the achievement of the business' long-term objectives, which objectives recognise the interests of all stakeholders in the business.

The formal structure assists in:

- **Identifying and evaluating risks**
- **Setting acceptable risk limits**
- **Monitoring risk management actions and controls**
- **Assessing the effectiveness of risk management**

OPERATIONAL PROCESS



RISK MANAGEMENT FRAMEWORK

Hulamin's risk management framework provides the basis for the implementation of a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact Hulamin's objectives.
The framework also addresses the specific responsibilities and accountabilities for the Enterprise Risk Management (ERM) process and the reporting of risks and incidents at various levels within Hulamin. Hulamin's risk management and governance structures, are aligned to its strategic and business objectives.

Risk	Objective	Risk management process
Strategic/business plan risk	• Monitor changes in external environment and potential impact on business models • Forum to review and adjust strategy actions/risks • Monitor strategic execution progress	Defined in the strategic risk management process
Operational risk	• Review high-level dashboard and manage action plan • Review status of control design • Combined assurance-control design and operating effectiveness	Defined in the risk management process
Business continuity management (BCM)	• Review roadmap deployment • Test and socialise plans – simulations • Amend for new risks/events	BCM core elements • Review emergency response • Review crisis management • Review business continuity plan

The framework, ISO 31000, which has been adopted by the group and assists Hulamin with:

- the aligning of its risk appetite and strategy;
- pursuing business objectives through transparent identification and management of acceptable risk;
- prioritising risks to ensure that resources and capital are focused on high-priority risks faced by the group;
- enhancing risk response decisions;
- reducing operational surprises and losses;
- identifying and managing multiple and cross-enterprise risks;
- seizing opportunities and developing strategic options;
- improving allocation and deployment of capital;
- ensuring compliance with laws and regulations; and
- increasing the probability of achieving objectives.

RISK MANAGEMENT GOVERNANCE REVIEW

The board of Hulamin is ultimately responsible for the governance of risk of the group and assumes overall ownership thereof.

The board carries out its responsibilities for risk management via the Risk and the Strategy Committee which has oversight of the group's enterprise risk management framework, policy and processes.

There is also a Hulamin Risk Management Committee, a sub-committee of the Hulamin Executive Committee, accountable to the Risk and Strategy Board Committee for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the various departments.

The Hulamin Executive Committee, supported by management, supports Hulamin's risk management philosophy; promotes compliance with Hulamin's risk appetite; identifies, assesses and manages risks within their spheres of responsibility consistent with risk appetite and tolerances; and manages the implementation of risk reduction actions and appropriate internal controls.

All Hulamin employees are responsible for executing enterprise risk management in accordance with established directives and protocols.

A number of external stakeholders often provide information useful in effecting enterprise risk management, but they are not responsible for the effectiveness of Hulamin's enterprise risk management.

Various external and internal parties provide risk assurance and compliance. The Hulamin Risk Management committee coordinates cross functional scenario teams (internal and external expert sources) to institutionalise the monitoring of scenario flags and appropriate strategic and tactical responses.

PRINCIPLE RISK

The Risk Management Committee conducts a formal review of the most significant risks and the group's responses to these risks three times a year.

The key strategic risks of the group, extracted from the group risk register, are shown in the table on pages 44 to 47. These risks have been assessed according to materiality and likelihood on an inherent and residual risk basis.

INTERNAL CONTROL AND ASSURANCE

The Hulamin board is responsible for establishing and maintaining an effective system of internal control which is designed to provide reasonable assurance that the group's business objectives will be achieved in accordance with the group's risk appetite.

A key element of the system of internal control is the review by assurance providers who assess the adequacy and effectiveness of the controls.

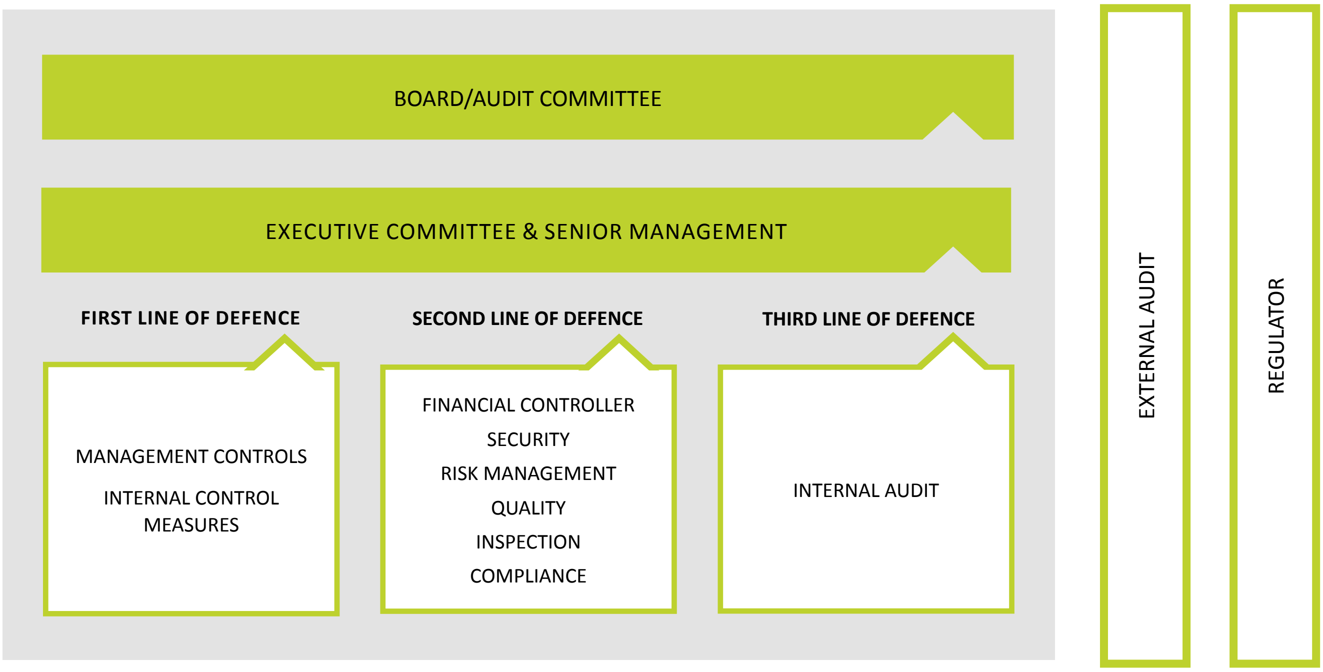
The group's internal audit function is responsible, *inter alia,* for the following:

Effectiveness of internal controls and risk management

Internal audit provides a written statement annually to the board on the effectiveness of the systems of internal control and risk management.

Specialist assurance providers are used to assess the adequacy and effectiveness of controls in certain instances. These include environmental and safety audits. The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls in place are adequate and effective. This assurance recognises that the organisation is dynamic and that at any point in time there are new areas of risk exposure which may require management attention. As such, there is a continual focus on ensuring that the control environment is understood and maintained at the required level.

Assurance efforts are documented in the combined assurance plan.



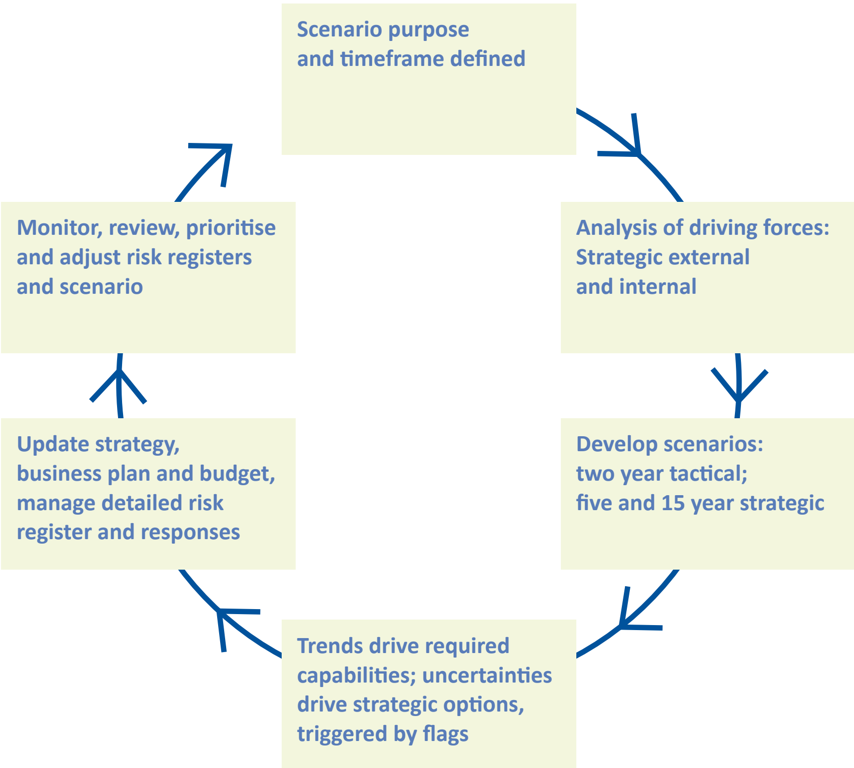
2018 Risk Focus Summary

Reflecting on 2018	Status	Comment
Focus in risk culture and embedding risk	Ongoing	Multi-year workpkan
Risk review session	Completed	
Risk appetite review	Completed	Clarify and explained
Operational risk framework	Completed	
Strategic risk framework and risk scenario planning	In progress	Methodology agreed, implementation underway
Developed risk procedure and processes	Ongoing	Achieved ISO 9001 and new IATF certification which included process risk management.
15,5 and 2 year scenarios	Ongoing	Multi-year work plan
Embedding business continuity management	Ongoing	Multi-year work plan

2019 Focus

Risk culture and embedding risk
15 year scenario linked to strategic options
Advancing risk controls and KPI via process optimisation
Focus on operational risk mitigation and controls linked to KPIs

SCENARIO PLANNING METHODOLOGY INTEGRATES WITH STRATEGIC RISK MANAGEMENT, STRATEGY AND BUSINESS PLANNING



Hulamin uses two- and five-year scenarios to measure and manage the risk of not achieving its business plan objectives. Enhanced by 15-year scenarios, scenario planning is used to drive strategy development.

As such, scenarios contribute to stimulating strategic thought and communication within Hulamin and with its stakeholders; improving internal flexibility of response to environmental uncertainty. They support and inform our decision-making and strategy formulation function, with respect to arriving at decisions; working out options; identifying indicators for taking action; and evaluating decision-making processes.

Scenarios are developed over different time frames to measure the impact on Hulamin of key uncertainties as far as it relates to very specific focal points:

Short-term scenarios

How can Hulamin respond tactically to minimise risks to its achieving its 18 to 24 month objectives and exploit opportunities and develop strategies to optimise execution of its five-year business plan?

Long-term scenarios

How will Hulamin be value adding to its stakeholders over the next 10 to 20 years?

Scenario planning is therefore embedded in the Risk management process and aligns risk management, business planning, budgeting and strategy development and execution for Hulamin. (Refer to page 32 for our external environmental assessment.)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Risk management continued

The key risks in Hulamin's risk register are summarised into the table below with appropriate responses.

Trend	Emerging uncertainty	Subsidiary risk
SA economic and manufacturing performance Weak economic climate in South Africa. Political uncertainty, unclear policy direction.	1. Sovereign rating downgrade by rating agencies of local-currency denominated debt below investment grade.	Dramatic weakening of currency resulting in short-term liquidity constraints.
	2. Low growth in the local market.	Low economic growth. Constrained local market demand for aluminium semi-fabricated products.
		Potential withdrawal of foreign investment. (Key customers withdraw from South Africa).
		Reduced investment in and/or failure of infrastructure: • Ports • Roads • Energy • Water
Differential access to global markets Global oversupply of aluminium semifabricated products, driven by continued capacity investments in China • Investment in capacity exceeds demand growth, leading to flat/lower utilisation rates over the next 10 years	3. Increased competition in global and local markets for market share.	Rolling margins in key product categories continue to decline in USD terms.
	4. Increased relevance of access to required technology and skills to develop products of the future.	Inability to develop new high value, niche products to improve business profitability and long-term sustainability.
Differential access to global markets Growing trend in protectionist trade policies around the world and support to local manufacturing industries.	5. Chinese aluminium producers get closed out of key markets such as USA through punitive tariff protection measures.	Hulamin gains an advantage over Chinese competitors to supply key markets such as USA.
		Competition in South Africa from low cost countries increases substantially.
	6. South Africa's preferential trade access into key developed markets is reviewed.	Loss of competitive advantage relative to other exporters into developed markets.

Enablers

E1 Transformation
E2 Talent management
E3 Sustainability
E4 Supportive regulatory environment
E5 Enterprise performance management

Risk type	Risk response	Link to strategy and enabler	Capital impacted	Risk trend
THREAT/ OPPORTUNITY	• Amend currency metal hedge strategy to reduce cash flow volatility. • Committed working capital in place with adequate headroom. • Reduce working capital investment by focusing on inventory efficiencies and cash cycle improvements to reduce cash flow volatility.	1 3	Financial	Increasing
THREAT	• Seek growth opportunities through new products. • Shift mix as appropriate to higher value export opportunities. • Develop regional (Africa) growth plan.	1 3	Financial	Increasing
THREAT	• Engagement with multinational customers to promote Hulamin's value proposition in South Africa. • Cooperate with industry and government regarding incentive programmes for industrial development coupled with local sourcing.	1 3 E4	Financial Social/ relationship	Stable
THREAT	• Shift in Hulamin's product mix to higher value OEM sectors with lower dependence on infrastructural projects. • Monitor capability of outgoing logistics; road, rail and port infrastructure. • Reduce electricity usage through energy efficiency projects. • Reduce water consumption and install backup water reservoirs. • Diversify gas supply to limit dependence on a single source.	1 3 E4	Manufactured/ Natural	Stable
THREAT	• Drive improved product mix, by: – Growing proportion of current high value products in overall mix (and reduce low margin export common alloy volumes) – Improve routes to market and niche positions in current high value products – Develop new, higher value products with focused investments in finishing capability. • Monitor competitor actions • Pursue manufacturing excellence and low cost of production • Develop local and regional sales, including the promotion of local market OEM type products	1 2 3	Financial/ Social/ relationship	Increasing
THREAT	• Maintain strong relationships with current technology partners/ consultants, industry experts and academic institutions • Develop local R&D network and aluminium technology centre(s) through CSIR/DST and AFSA.	2 E2	Intellectual/ Human	Stable
OPPORTUNITY THREAT	• Grow sales of high value products in key developed markets such as USA. • Route to market optimisation	1 3	Financial Manufactured Social/ relationship	Increasing
THREAT	• Focus on developing OEM market sectors in SA. • Enhance non-tariff businesses where possible. • Pursue tariff protection where necessary.	1 3 E4	Financial Manufactured Social/ relationship	Increasing
THREAT	• Engage with DTI and international trade authorities to understand and influence direction of trade policies. • Focused product/market development programme to grow high value product sales in a variety of domestic, regional and export markets. • Focus on product development and innovation with key OEM customers.	1 2 3 E4, E2	Social/ relationship Financial Manufactured	Increasing

1 *Drive cash-flow to earn the right to invest*
2 *Build capabilities*
3 *Implement the strategic business model*

Risk management continued

Trend	Emerging uncertainty	Subsidiary risk
SA Economic and manufacturing performance Economic activity curtailed by energy scarcity due to delayed investment in infrastructure and production/conversion capacity.	7. Energy scarcity in South Africa.	Inconsistent supply of and increasing cost of electricity.
		Uncertainty in sustainability of Hillside smelter.
Climate change and social responsibility Accelerating impact of climate change, and increasing global environment regulations.	8. Local and international resolve towards low-carbon economy.	Introduction of Carbon Tax in South Africa curtailing manufacturing growth.
	9. Water scarcity.	Disruption to manufacturing operations.
Global geo politics and SA economic manufacturing performance A weakening of the US dollar, whilst at the same time South African political stability improves, supporting foreign investment and growth, which results in a materially stronger Rand.	10. South African Rand strengthens against the US Dollar and remains at a stronger level for an extended period.	Significantly stronger Rand results in major negative impact on Hulamin's profitability.
Hulamin capability Increasing proliferation of computing power, data and new digital technologies resulting in the transformation of manufacturing capabilities and value chain collaboration.	11. Build capabilities to use digital technologies to improve business value.	Leverage product and process know-how, achieve production efficiencies and cost reduction, improved agility and closer customer collaboration and service improvements.

Enablers

E1 Transformation
E2 Talent management
E3 Sustainability
E4 Supportive regulatory environment
E5 Enterprise performance management

Risk type	Risk response	Link to strategy and enabler	Capital impacted	Risk trend
THREAT	• Develop demand reduction operating plan to minimise production losses. • Work closely with Eskom to ensure Hulamin has as few disruptions as possible. • Install backup generators to mitigate impact of load shedding/ curtailment. • Work with Energy Intensive Users Group (EIUG) to lobby Nersa for “reasonable” electricity cost escalations.	E4	Manufactured Natural Social/ relationship	Increasing
THREAT	• Develop alternative metal sourcing options. • Engage government, South 32 and other stakeholders to ensure support for domestic aluminium industry.	E4	Financial Social/ relationship Social/ relationship	Increasing
THREAT	• Ongoing engagement with government through AFSA regarding an appropriate approach to the levying of carbon tax on the aluminium industry. • Ongoing efforts to reduce Hulamin’s electricity and gas consumption. • Implement environmental sustainability strategy.	E4, E3	Natural Financial Social/ relationship	Increasing
THREAT	• Projects to reduce water consumption. • Increase the water storage capacity on site. • Investigation in the use of recycled water on all manufacturing sites. • Ongoing engagement with the municipality regarding water supply.	E3, E4	Manufactured Natural Social/ relationship	Stable
THREAT	• Ongoing focus on improving rolling margins and sustainably reducing costs. • Improve prioritisation of capital expenditure. • Continue to maximise production within a stable plant. • Review hedging strategy to change Hulamin risk profile. • Review non-core assets/other business units. • Maintaining suitable borrowing facilities and headroom.		Financial Manufactured	Increasing
OPPORTUNITY	• Implement digitalisation roadmap and strategy. • Implement technology strategy. • Enhance cyber security strategy.	E2	Manufactured Intellectual Human	Increasing

1 Drive cash-flow to earn the right to invest
2 Build capabilities
3 Implement the strategic business model

The following key enablers and capability build projects were identified as key risk mitigating requirements for Hulamin in any of the future scenarios.

(Cluster A) Enablers	Description
1. Transformation (C8 Transformation, social and political)	The re-enforcing Hulamin circle of synergy embodies the Hulamin vision of driving value to all stakeholders, whilst contributing to a better, more inclusive world. Hulamin is increasing its preferential procurement score and enterprise supplier development programmes as well as focusing on its skills development and employment equity objectives.
2. Talent management (C5 Hulamin capability)	The Hulamin Talent Programme (H-TUP) journey provides Hulamin with an intimate knowledge of talent capabilities and gaps, enabling strategic talent decision making in a Sociotechnology disrupted world where people and skills become the ultimate differentiator. Hulamin is reshaping our approach to managing talent, through stimulating our leadership thinking and enabling our ability to utilise talent optimally as well as extract more from our people.
3. Sustainability (C7 Climate change and social responsibility)	"Green" is good for Aluminium and Aluminium is good for "Green". Globally, corporates, consumers and governments are becoming more aware of and concerned with environmental sustainability and carbon footprint. This is causing rapid trend shifts globally towards "greener" technologies such as renewable energy sources, electric vehicles and recycling. Hulamin has established an Environmental Sustainability Committee to consider these various issues and to develop an environmental sustainability strategy and policy to address these various emerging requirements.
4. Supportive regulatory environment (C2 SA economics and manufacturing performance)	Strategic positioning of Hulamin as a brand, a strategic player and key partner in the Aluminium Value Chain in South Africa is a crucial requirement to compete in a globalised world. The development of a transformational Aluminium Agenda for the country as a key contributor to the GDP and a creator of sustainable jobs in and around local communities is core to our collaboration with DTI and government.
5. Enterprise performance management (EPM) (C5 Hulamin capability)	This is a key enabler to the execution of the business plan. The EPM programme is extended to support standardised process capability with information/analytics at the core of EPM. The IT and Digitisation programme enables EPM and will be a key driver of medium-term cash flow delivery and long-term positioning to enable the "New Hulamin" vision execution.
(Cluster B) Strategic capabilities	**Description**
6. Technology, research and innovation (R&I) (C5 Hulamin capability)	To achieve Hulamin's margin growth aspirations requires niche market re-positioning. This requires Hulamin to invest in the development of its technology and R&I capability. Hulamin will invest in its capability and resources to expand the current activities and focus on this critical function.
7. New product/market development (C5 Hulamin capability)	Market development is key for the long-term sustainability and success of Hulamin and many opportunities exist in markets that Hulamin does not currently supply directly to, but has the required core capabilities and market access differentiation. Hulamin's programme include developing innovation and product development capabilities in three horizons: 1. Provide technical/innovation support for existing product mix 2. Product innovation to meet customer requirements in new high value/growth niches 3. New innovation and business models, leveraging core capabilities
8. Information technology and digital (C5 Hulamin capability)	A digital innovation strategy can unlock many opportunities in current operations, while positioning Hulamin for global competitiveness across its operations and the value chain from suppliers to customers. Hulamin is kicking off a digitalisation programme that will seek to leverage emerging technologies to achieve these ambitions.
9. Integrated business planning (C5 Hulamin capability)	With the increased demands for on time delivery from end user customers, niche product positioning, and the additional flexibility required to respond to customer needs, Hulamin's sales and operations planning capability and systems requires investment and enhancement. A number of initiatives have been commenced to meet changing customer requirements and increased manufacturing and planning complexity.

Cluster A: refer link to "Our strategic response", Pillar 2, "Building capabilities" , set out on page 35.
Cluster B: refer link to "Unpacking the strategy", set out on page 34.

Hulamin also identified a number of strategic options, most of which are already under evaluation and development as part of our longer term strategy, that will make Hulamin more robust under the different scenarios.

The rationale for these strategic options are described below.

(Cluster C) **Strategic options**	**Rationale**
1. Importance of Pietermaritzburg simplification and rolled products niche finishing investments and strategic repositioning	Pietermartizburg Rolled Products strategic repositioning is relevant to all scenarios: i.e. a "No regret" move to lower our cost base, simplify our product range and allowing a more niche higher value product range
2. Development of a trading model with partners	A trading model is particularly important to compete in a globalised world where we must offer lower cost supply, in addition to our differentiation on customer service and digitised technical process capabilities
3. Establishment of alliances and partnerships	A global set of partnerships and alliances is most important in a polarised world, especially when SSA growth is low, but also to de-risk Hulamin from volatile markets and environmental/social threats
4. Establishment of SSA manufacturing footprint	SSA will become more important in the longer term, especially when South Africa is not growing significantly
5. Downstream capability investment	Downstream investments is relevant in most scenarios, especially in globalised trading environment and over the longer term when technology threats and new market opportunities such as Electric Vehicles become significant

Cluster C: refer link to "Our strategic response", Pillar 3, "Implement strategic business model changes" set out on page 35.

CEOs report

RICHARD GORDON JACOB
Chief executive officer

I am proud to report that continued focus on manufacturing excellence has produced record sales volumes in Hulamin Rolled Products. The strong manufacturing performance together with a weaker currency in the second half of the year (average of R14.18), produced HEPS of 78 cents per share of the second half of the year. An assessment of recoverable value resulted in an impairment charge of R1,45 billion to historical asset values.

In 1996, when the Hulamin Rolled products $550 million expansion was approved, the world was very different to the current global aluminium rolled products ecosystem. At that time, and prior to the unbudling of Hulamin from Tongaat Hulett, the feasibility study for this investment, approved by the Hulett Aluminium and Tongaat Hulett boards, was based on an annual sales volume of 150 000 tons. Since then, plant performance has improved considerably, despite a number of disruptions and equipment outages. I am therefore well pleased with the ongoing improvements that have resulted in sales in 2018 totaling 228 000 tons in Hulamin Rolled Products.

PERFORMANCE REVIEW

Group sales volumes for the year to 31 December 2018 totalled a record 245 000 tons, which was measurably higher than the corresponding period's 233 000 tons. Despite a third consecutive year's record performance in Hulamin Rolled Products of 228 000 tons Hulamin Extrusions experienced a very difficult year. Following a major equipment breakdown early in the year, the business was unable to recover from the volume and confidence setback and reported a loss for the year. Hulamin Containers continued to perform well.

Since 2015, when Hulamin undertook to completely rebase our safety programme, our safety performance has improved considerably. In that year, Lost Time (LTIFR) and Total Recordable Injury Frequency Rates (TRCFR) were 0.32 and 0.89 per 200 000 hours worked, respectively. Concerted efforts to reduce risks associated with employees and on-site contractors getting injured have included focus on employee behavior, risk assessment, physical separation of employee and risk and suspended load safety. Research has shown that Hulamin is now one of the safest (if not *the* safest) aluminium semi-fabrication plant in the world. Our 2018 Injury rates were 0.08 (LTIFR) and 0.24 (TRCFR) respectively.

Underpinning the step up in safety performance are also significant changes to employee engagement and workplace orderliness. In 2018 we reran a 2016 Employee Engagement survey, which showed a 20% improvement in engagement level. Furthermore, we are convinced that our efforts at establishing higher levels of workplace orderliness have contributed to numerous other performance indicators that have improved such as yield, unit cost, energy efficiency etc.

In an unprecedented move on November 28 2017, US Secretary of Commerce Wilbur Ross announced the self-initiation of antidumping duty and countervailing duty investigations on imports of aluminum sheet and coil imports from the People's Republic of China. These historic investigations, the first in over a quarter of a century, were self-initiated. Both of these actions have created a window of opportunity for Hulamin to increase its sales footprint and entrench its market position in the United States, where Hulamin has a long history and strong customer base.

MARKETS

Hulamin sells both rolled and extruded aluminium products to fabricators and manufacturers around the world. While Hulamin Rolled Product Exports around 65% of its sales, almost 100% of Hulamin Extrusions sales are local.

2018 was a difficult year for the South African economy and Hulamin in particular struggled to improve its local sales. The SA economy shrunk in the middle two quarters of 2018 (by 2.6% and 0.4% respectively). The Gross Domestic Capital Formation, a measure of capital investment in the economy, declined in every quarter of 2018 to the lowest level since mid-2016. In parallel, imports of price-subsidised rolled and extruded products (mainly from China) grew sharply by 10% and 15% respectively. Subsidised imports have the effect of suppressing domestic prices, rendering local manufacturing industries economically unsustainable. In Southern Africa, our markets are already too small to sustain many strategic industries. These industries support employment, skills development, technological advancement and many other pillars of a successful economy. As a result, we resubmitted applications for increases in the duty levels of rolled and extruded aluminium products during the course of 2018.

FINANCIAL RESULTS

Turnover increased to R11,5 billion (2017: R10,3 billion) on increased volume. This was somewhat countered by a strengthening Rand/US Dollar that averaged 7 cents stronger for the year (R13.25 in 2018 versus R13.32 in 2017).

Unit conversion costs in Rolled Products decreased again in 2018 in real terms. After two years of successive real decreases in excess of 10% (2016: 10.7% reduction and 2017: 10.6%), Hulamin Rolled Products' unit costs further decreased by 2.4% in 2018 (2.2% increase in nominal terms, despite significant commodity price impacts).

Earnings before interest and taxation (EBIT) declined by 291% to negative R950 million due to the recognition of impairment charges. Net interest charges decreased by 5% to R74 million. Attributable earnings were consequently 354% lower at negative R773 million for the year. Headline earnings per share (HEPS) of 91 cents compared to 95 cents in 2017.

The London Metal Exchange (LME) aluminium price ended 2018 at $1 870 per ton, close to the $1 916 per ton that it closed at in 2017. On a net basis (volume weighted by month) this resulted in an insignificant metal price lag benefit of R4 million for the full year (2017: R150 million).

Free cash flow amounted to R90 million (2017: R296 million) and free cash flow (adjusted) amounted to R298 million (2017: R296 million), after R242 million capital expenditure. Free cash flow (adjusted) is made up of cash flows before financing activities adjusted for the impact of the inclusion of a significant customer payment. For further information refer to Supplementary information: Free cash flows (adjusted) included in the financial capital section.

The performance of Hulamin Extrusions remained unacceptable in trading conditions that remained extremely challenging. The group has commenced a strategic review of its investment portfolio, including its interest in Hulamin Extrusions.

REFINEMENT OF THE BUSINESS MODEL

In 2018, the management team presented an updated group growth strategy, reopened the feasibility study done previously for an automotive finishing investment and developed financial models for the simplification of the Hulamin Rolled Products operation. This work indicated significant and practical opportunities for growth, particularly in areas of Hulamin's core competences such as beverage cans and electric vehicles. Hulamin plans to reduce product range with consequent cost reductions and rolling margin uplifts, and to expand into new profit pools. In particular, good progress was made in 2018 in opening up a new operation based on Hulamin's existing technical service and logistics capability in the can stock market. This new operation will focus on sourcing can stock (to supplement that which will continue to be produced in Pietermaritzburg) and supply to existing and new customers.

Other new opportunities in feasibility phase include investigations into strategic investments in specifically synergistic downstream fabrication assets, as well as aluminium scrap collection and related manufacturing investments in Africa.

CONCLUSION

In years to come, I am optimistic that 2018 will prove to be pivotal. In addition to a record production year, the foundations for a step up in value creation for all stakeholders will be shown to have been laid.

Richard Gordon Jacob
Chief executive officer

Value creation

54 Key indicators: Capitals
56 Social and Relationship Capital
58 Human and Intellectual Capital
62 Natural Capital
66 Manufactured Capital
70 Financial Capital

Value creation

The group continues to implement its CNG conversion to provide a secure energy supply and continues to engage with stakeholders to secure piped natural gas to Pietermaritzburg.

61% **Energy requirement sourced from LPG and CNG during the year**

Key indicators: Capitals

SOCIAL, RELATIONSHIP AND INTELLECTUAL OUTCOMES

		2018	2017		TARGET 2019
Taxation paid	(R'000)	(73 682)	(127 669)	↓	Pay as required
Spending on corporate social responsibility	(R'000)	4 118	2 101	↑	% of PAT
B-BBEE expenditure	(R million)	4 866	4 095	↑	Pay as required
B-BBEE status	(Level)	5	6	↑	5

MOVING FORWARD

Hulamin is committed to the advancement and transformation of the South African economy through the adoption of the B-BBEE framework.

CAPITAL TRADE-OFF

Hulamin balances investment in communities and development of EME's and QSE's with the return required by providers of capital.

ACTIONS TO ENHANCE OUTCOMES

- Contribute to the development of small, local businesses that have majority black shareholding.
- Promote job creation in the KwaZulu-Natal region.

HUMAN OUTCOMES

		2018	2017		TARGET 2019
Benefits distributed	(R'000)	1 241 193	1 144 905	↑	Pay as required
Number of employees		2 039	2 020	↑	As required
Lost time injury frequency rate		0,05	0,22	↓	<0,18
Total recordable case frequency rate		0,24	0,61	↓	<0,2

MOVING FORWARD

Embed strategic workforce planning ensuring the acquisition, retention, development and effective use of the people that the organisation needs. As part of our employment equity process, a key objective includes transforming representation on key strategic decision-making bodies at all levels in the organisation.

CAPITAL TRADE-OFF

Investment in the safety of our people is of critical importance to Hulamin regardless of the production man-hours lost.

ACTIONS TO ENHANCE OUTCOMES

- Enhance the Hulamin Talent Pipeline Management Programme to build the capabilities of tomorrow
- Optimise and enhance the retention of Africans and females by building a corporate culture that values transformation
- Provide our people with the right safety information, direction and the competencies necessary to contribute to the success of our business.

MANUFACTURED OUTCOMES

		2018	2017		TARGET 2019
Capital expenditure	(R'000)	241 744	261 034	↓	250 000
Repairs and maintenance	(R'000)	286 183	282 028	↓	Sufficient to maintain
Depreciation/ amortisation	(R'000)	241 274	216 314	↑	Appropriate per capital spend
RP production volumes	(tons)	228 018	214 339	↑	>220 000

MOVING FORWARD

With the overlay of our digital strategy acquire improved manufacturing insights to provide market leading innovation in our products and their applications.

CAPITAL TRADE-OFF

The overall objective of free cash flow generation is balanced against the need to maintain and invest in the assets of today.

ACTIONS TO ENHANCE OUTCOMES

- Continued adherence to the asset management strategy

NATURAL OUTCOMES

		2018	2017		TARGET 2019
Total CO_2 emissions	(CO_2/MT produced)	1,52	1,68	↓	<1,5
Water consumption	(Kℓ/MT produced)	2,52	2,69	↓	<2,5
Electricity consumption	(KWh/MT produced)	1 172	1 241	↓	<1 150
Fuel gases	(%)	61	57	↑	>61

MOVING FORWARD

Hulamin has laid out a plan to continue the development of the Resource Efficiency structure. A Resource Efficiency Technician joined the Resource Efficiency Manager during the period with further additions to the team to come in 2019.

CAPITAL TRADE-OFF

Although energy efficiency savings require additional capital investment, the medium to long terms benefits outweigh the cost of investment.

ACTIONS TO ENHANCE OUTCOMES

- Continue to increase scrap inputs where possible to decrease reliance on natural resources
- Continue to improve Hulamin's Carbon Footprint Reporting and other disclosure initiative

FINANCIAL OUTCOMES

		2018	2017		TARGET 2019
Operating profit	(R'000)	(949 907)	498 425	↓	Drive underlying performance
Free cash flow	(R'000)	89 874	296 132	↓	Drive underlying performance
Net debt to equity	(%)	7.7	6.8	↑	Drive underlying performance
Headline earnings per share	(cents)	91	95	↓	Drive underlying performance

MOVING FORWARD

Free cash-flow generation is the base requirement to unlock the group's medium term and long-term strategy.

CAPITAL TRADE-OFF

The group balances the return required by the providers of capital with the requirements of all other stakeholders.

ACTIONS TO ENHANCE OUTCOMES

- Continue to drive cost optimisation programme
- Sustain reduction in inventory and trade receivable days on hand
- Increased sales volumes aligned to new mix enhancements

Social and relationship capital

Social and relationship capital encompasses our relationships with communities, groups of stakeholders and other networks.

It incorporates shared values and behaviours and provides us with our social license to operate. Interaction with a key stakeholders, consideration of their concerns and earning their trust are central to maintaining and developing this capital.

A LOOK BACK AT OUR GOALS FOR 2018

- The restructure of Isizinda Aluminium has not yet been achieved but Hulamin continues to work on determining an appropriate structure for Isizinda Aluminium.
- Our enterprise supplier development initiatives continues to develop and grow suppliers within the aluminium value chain.
- The establishment of the aluminium-hub in Richards Bay continues to move forward with partners having been identified to conduct operations within the rod, billet and rim-alloy spheres.

THE FOCUS FOR 2019

- Increasing participation of black owned businesses in our procurement spend with a particular focus on suppliers with a B-BBEE recognition level 1 to level 3.
- Grow the economic participation of majority black owned enterprises in Hulamin's procurement spend so as to more accurately reflect the demographic realities of the country.
- Promote job creation in the KwaZulu-Natal region.

OUR KEY RELATIONSHIPS

The Group recognises that in order to create sustainable value for all it needs to be responsive to the expectations of all stakeholders. To meet the expectations of our stakeholders the Group engages in regularly with all stakeholders to establish a relationship of trust and respect to achieve favourable outcomes for all stakeholders on issues of mutual interest.

Further information detailing the expectation of stakeholders and the Groups strategic response thereto is provided on page x of this report. Additional information can also be found in the Sustainability Report available on our website at www.hulamin.co.za.

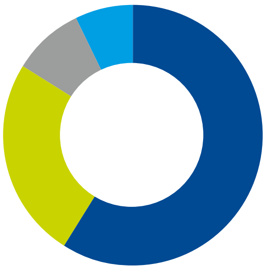
INVESTMENT IN OUR COMMUNITIES

Corporate Social Investment (CSI)

The Group is steadfast in its vision to make a meaningful contribution to the Pietermaritzburg community. The Group recognises that it is situated in a society with enormous challenges and that the Group is symbiotically linked to the socio-economic and natural environment in which the company is located. The Group is therefore obligated in playing a leadership role in those areas within its sphere of influence.

During the past 12-months the Group contributed R4,1 million towards various CSI initiatives.

CSI DISTRIBUTION (%)



INVESTMENT IN OUR SUPPLIERS

Preferential procurement

The Group promotes the economic empowerment of black South Africans and encourages business relationships with other companies, which actively pursue sound employment equity and black economic empowerment programs and who will endeavour not only to support the new B-BBEE codes but to actively better their scoring on a on an ongoing basis.

The Group's intervention program of preferential procurement is committed to achieving the objectives of growing the economic involvement in mainstream business, on a sustainable basis, of all previously disadvantaged groups. The Group promotes the development of black owned businesses and in particular wholly African owned entities, or majority African owned entities, as preferred suppliers, especially those that are both owned operated by and managed by Africans.

In order to achieve the strategy the Group has established an ESD committee. For further information on the objectives of the committee refer to our Sustainability Report available on our website at www.hulamin.co.za.

The revised B-BBEE codes continue to have an impact on the Group's preferential procurement score as approximately 70% of the Group's total measureable spend relates to incoming aluminium (raw material). The sole source of supply of primary ingot and rolling slab are B-BBEE level 5 and non-compliant respectively, with no verified black ownership, resulting in very little B-BBEE recognition for more than two thirds of its procurement spend. The Group is unable to achieve an acceptable preferential procurement score as almost no points are achieved from these two key entities. Hulamin has made significant progress on driving procurement from black owned EMEs and QSEs in the remaining 30% of its spend and as a result of this focus expects to achieve the sub-minimum 10 points for preferential procurement in its 2018 scorecard.

Over the last 12-months the Group spent R4,9 billion with B-BBEE enterprises. Within this amount:

- R523,1 million was spent on qualifying small enterprises (QSE);
- R478,0 million was spent on emerging micro-enterprises (EME);
- R1,3 billion was spent with enterprises which were at least 51% black owned; and
- R388,1 million was spent with enterprises where black woman owned more than 30%.

Enterprise development

The Group's objective is to facilitate the development of sustainable businesses that will create jobs and add stimulus to the economy. In an effort to achieve this objective the Group has implemented strategic objectives which, among other, include:

- Favourable payment terms to emerging SD beneficiaries,
- Monetary and non-monetary support for black enterprises including supporting enterprise development agencies such as the Business Support Centre, and
- Management and time devoted towards conceptualising, guiding and rolling out various elements of supplier development.

The various initiatives put in place by the Group for enterprise development and supplier development amounted to Rx million committed during the past 12-months. The spend includes grant and loan funding contributions, shorter payment term benefits, senior management involvement in ESD activities and third party support costs in the form of developmental assessments, advice and mentorship and certain administrative support functions.

ZCN BUSINESS ENTERPRISE

ZCN Business Enterprise and Hulamin established a relationship under the ESD framework that enlisted ZCN as a beneficiary for skills transfer in the hygiene services category. In terms of the supplier development support provided, ZCN was granted a three-year skills transfer agreement in collaboration with a leading service provider in the industry (Servest Hygiene) to allow it to develop key skills and experience in the category and to gain an appreciation for the market dynamics within the hygiene services industry.

Due to the business acumen attained during the three-year programme, and as part of the graduation process, ZCN has been awarded the provision of the hygiene services for Hulamin's core operating division; Hulamin Operations

Human and intellectual capital

Human capital is considered a core asset at Hulamin and the skills of our people are the foundation of our success. Hulamin appreciates the importance of our people, who are equipped with knowledge, skills and motivation, which gives Hulamin a leading advantage.

A LOOK BACK AT OUR GOALS FOR 2018

- During the period under review four employees were appointed to the executive management committee of which three were African.
- Efforts to achieve greater representation at all levels of our business is consistently applied for the effective implementation of our employment equity plan.
- There have been three noise-induced hearing claims reported in 2018. No fatalities have occurred during the current year under review.

THE FOCUS FOR 2019

- Continue to close the representation gap in all managerial roles, with particular emphasis on African females.
- Achieve the objectives of the Employment Equity Plan in 2019.
- Continue to develop the leaders and managers of tomorrow through the Hulamin Talent Universe Programme
- Improve on safety record

OUR PEOPLE

Our workforce consisted of 2 039 employees at December 2018 (2017: 2 020) on whose skills, education and experience we rely to deliver our strategic objectives. Core and specialist skills required throughout our operations include, among others, metallurgical engineering, rolling, roll-grinding, surface treatments and casting.

Employment equity

Hulamin believes in the development of all its employees, regardless of race and gender, but with more emphasis on people from designated groups. Hulamin regards employment equity as a special intervention required to address the past in providing equal opportunity to previously disadvantaged citizens of South Africa.

Employment equity is an integral component of Hulamin's strategy with a particular focus on:

- the elimination of unfair discrimination within the workplace; and
- the implementation of affirmative action measures to achieve equitable representation of designated groups across all occupational levels within the organisation.

Employment equity targets

	Target 2019 %	Status 2018 %	Number of people 2018
Black representation at senior management	58	46	34
Black representation at middle management	85	81	156
Black representation at skilled and supervisory level	91	95	1 005
Women at senior management	12	11	83
Women at middle management	23	19	36
Women at skilled and supervisory level	15	19	197

To this effect Hulamin has developed a formal Employment Equity Plan and designated the Chief Executive Officer as the custodian of ensuring the achievement of our five-year employment equity objectives. The Human Capital Executive is the senior employment equity manager appointed to drive its implementation. For more information on our Employment Equity Plan please refer to our sustainability report available electronically at www.hulamin.co.za.

In 2018, we continued to make progress against our representation goals in all management structures in the business.

Management control

We recognise that active participation of previously disadvantaged people in positions that influence the direction of the business is critical to real transformation.

As part of our employment equity process, a key objective includes transforming the representation on strategic decision-making bodies at all levels of the organisation. During the period in review, four employees were appointed to the executive management committee (EXCO), of which three are black.

Persons with disability

Efforts remain focused on providing reasonable accommodation for individuals with disabilities in our workplaces. Progress has been made in investing in developmental programmes to improve people with disabilities skills sets, as well their employability prospects.

INVESTING IN OUR PEOPLE

Skills development

Hulamin strives to develop skilled and motivated employees through an outcomes based approach to development that endorses personal growth, individual responsibility and a culture of lifelong learning. Training and development initiatives draw on the technological, operational and process knowledge that exists within the business, and uses this to guide employees into developing innovative solutions for real business challenges.

Hulamin believes that it is important to continue to develop organisational capabilities for future sustainability, and to contribute to reducing the skills shortage, thus boosting growth within the South African manufacturing context.

A Training Committee has been established which functions in accordance with requirements the Skills Development Act and the MERSETA. For further information on the terms of reference of the Training Committee please refer to our sustainability report which is available electronically at www.hulamin.co.za.

Talent management and development

Hulamin has implemented a talent management strategy to ensure that Hulamin has the appropriate plans and interventions in place that enable the organisation to have the right skills in place as cost-effectively as possible to meet future needs.

Hulamin's Talent Universe Programme aims to develop, retain and unleash talent capability for current and future business. This initiative focuses on supporting and coaching leaders to redefine and shift their approach to talent by actively engaging in building and developing human capabilities at the same time challenging and holding people accountable.

To-date, 48 managers attended the On-Boarding programme, which is 87,3% of the targeted audience, the rollout process is due to be completed by the first quarter of 2019.

Performance management remains the key driver in our talent management approach. Key performance indicators and performance reviews are calibrated to ensure alignment to the business's critical drivers. All employees are subject to biannual performance reviews and six career conversations with line managers.

Hulamin's talent pipeline management programme is an important tool in building capability. Hulamin's approach is to focus on bursars, engineers-in-training, in-service trainees, apprentices and learners on the learnership programme. Each year the intake for the respective programmes is reviewed in accordance with business needs.

More information of the components of our talent management and pipeline development programme is available in our Sustainability Report available on our website at www.hulamin.co.za.

EMPLOYEE WELLNESS

Safety

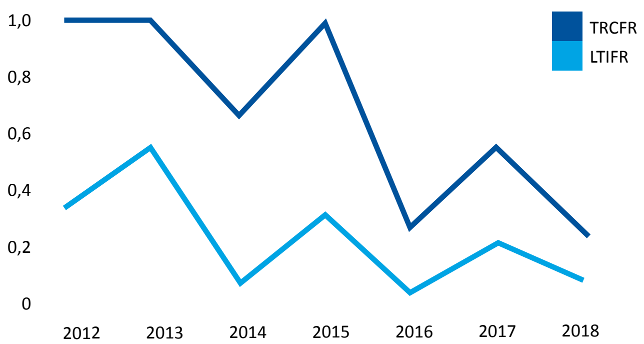
Hulamin is committed to the wellbeing of employees and to providing a safe working environment that ensures that the business continues to function effectively and retains and attracts skilled people in future.

Hulamin has embedded a culture of safety in the organisation to ensure that its plants are operated safely and that employees are protected from injury or from harm due to incidents or exposure. To achieve this, employees and the teams in which they work are guided and supported in taking responsibility for their own safety. Hulamin seeks to continuously improve its safety performance by measuring and monitoring both leading and lagging indicators that are aligned to industry best practice. The Hulamin Executive Team is ultimately accountable for safety.

A successful surveillance audit was conducted during June 2018 in terms of OHSAS 18001 (Occupational Health and Safety) management standard.

The number of lost time injuries (LTIs) decreased from eight in 2017 to two in 2018 with human behaviour being the biggest contributor to these injuries. Hulamin continues to monitor high-potential hazards and incidents that caused injuries to learn from them and improve safety behaviour and conditions.

SAFETY PERFORMANCE FREQUENCY RATE



The Total Recordable Case Frequency Rate (TRCFR) and the Lost Time Injuries Frequency Rate (LTIFR) is the number of recordable injuries divided by the number of hours worked, multiplied by 200 000. Targets for 2018 were LTIFR 0.05 and TRCFR 0.5.

Health

Hulamin believes that the good health of employees is essential for motivation, capability and productivity. To this end, we offer benefits for employees and their families. Hulamin has adopted a "shared responsibility" approach to the wellbeing of its employees. In this regard, the company equips employees with the appropriate education and healthcare facilities in order for employees to best manage their own health.

Hulamin is audited for verification and compliance in line with the OHSAS 18001 management standard.

Further information on our various health initiatives are provided in our Sustainability Report available on our website at www.hulamin.co.za

Employee participation

Employees are key to all aspects of Hulamin's performance and future success. Hulamin's employee engagement strategy is based on an open communication and consultation with its employees and their representatives.

Relationships with the unions remain that of mutual respect and progressive. In 2018, the company experienced its first industrial action since 2004. The incident affected only one of the three divisions in our Rolled Products operation in Pietermaritzburg. The incident was resolved within 48 hours.

The year in review, marked the end of Hulamin's three-year wage agreement that was concluded with the unions in 2015.
Of the issues referred to work group deliberation outside the wage agreement, 80% have been finalised.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Natural capital

The Group is committed to responsible stewardship of its resources and to ensuring that all its activities result in no harm to staff and the environments in which the company operates. Sustainability is being integrated into the strategic and operational aspects of the business with structural and reporting changes being put in place to enable and sustain monitoring and reporting of these critical business measures. This includes developing plans for continuous improvement and assessment of environmental risk.

A LOOK BACK AT OUR GOALS FOR 2018

- Hulamin formally reported the required greenhouse gas emissions from on-site stationary combustion to The South African Department of Environmental Affairs.
- Under the Carbon Disclosure Project (CDP) Hulamin also reported on the CDP Water Disclosure for the first time. The CDP is a useful guide that challenges companies to develop best practices in climate change reporting and response.
- Significant gains made in both reducing carbon emissions and water usage.

THE FOCUS FOR 2019

- Continued emissions reductions by monitoring and improving efficiency of fuel gas consumption.

NATURAL RESOURCES WE ARE RELIANT ON

The Group relies on gas, water and electricity (carbon-intensive resource) throughout its production process.

Aluminium smelters are heavily reliant on electricity to produce primary aluminium. The mid- and downstream aluminium industries are reliant on primary aluminium for its production process. This high usage of electricity by the smelters is therefore an indirect capital on which the Group is reliant.

DECREASING OUR RELIANCE ON KEY RESOURCES

Aluminium is infinitely recyclable. By recycling aluminium, the initial energy intensive process is eliminated. There is an increasing availability of aluminium scrap, including used beverage cans, in the local market. Recycling scrap creates prospects of improved economic returns for the mid- and downstream industry; and the collection and recycling industry creates additional employment.

At the same time we are continuously striving to reduce energy consumption through improved efficiencies and waste management.

INTENSITY AGAINST 1 ton OF PRODUCTION

	Carbon footprint (tons CO_2e)	Electricity consumption (KWh)	LPG consumption (GJ)	Water consumption (Kℓ)
2016	1,76	1 274	6,58	2,66
2017	1,68	1 241	6,55	2,49
2018	**1,52**	**1 172**	**7,53**	**2,52**

OUR APPROACH TO MINIMISE ENVIRONMENTAL IMPACT

To further our environmental goals a formalised business model is being developed to manage and reduce our environmental footprint. Through setting up the structural changes required to make lasting change to the use of natural capital it was recognised that financial and risk consideration were intimately connected to resource efficiency. The development of structures to achieve realistic resource efficiency targets would be beneficial for all these aspects within the organisation.

CARBON FOOTPRINT

Many of our customers are very aware of climate change and have formal programs to reduce the carbon footprints of their products by collaborating with their suppliers and customers. We assist our customers by supplying carbon footprint information and other environmental sustainability issues from the four manufacturing sites in South Africa that are under our operational control.

The group has further reduced absolute Carbon emissions for the 2018 production year, in spite of increasing production.

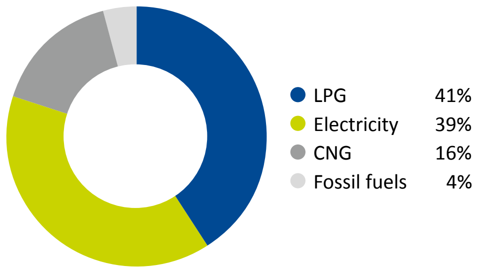
Hulamin continues to monitor the growing requirements in carbon footprint reporting and takes action, where applicable, from questions posed by the Carbon Disclosure Project which has challenged industry with setting significant carbon reduction standards.

ENERGY CONSUMPTION

Hulamin's energy performance per unit ton improved in 2018 on that of our previous record in 2017. The comparison of the 2018 data with 2017 in terms of production throughput and energy consumption shows:

- Production output increased by 4.1%,
- Energy consumption increased by 1.7%, and
- Energy intensity decreased by 2.3%.

ENERGY CONSUMPTION (%)



Gas

The current year under review represented the first year during which all planned furnaces had been converted from liquid petroleum gas (LPG) to compressed natural gas (CNG). As a result CNG consumption as a percentage of the energy mix increased by 68% while LPG consumption decreased by 24%. This change in Hulamin's energy mix has had positive effects on greenhouse gas emissions as natural gas has a lower carbon footprint than LPG.

Hulamin continues to have three melting furnaces on the Campsdrift site that continue to consume LPG. During 2018 three failures led to a decrease in the efficiency of the melting furnaces resulting in the excess consumption of LPG.

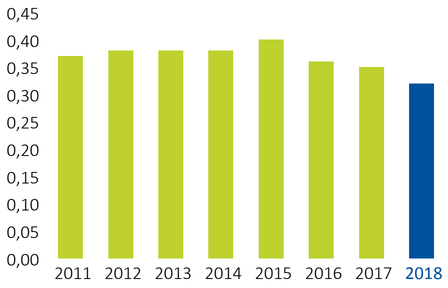
The efficiency of the transfer of liquid metal from the recycling furnace has been improved by increasing the volume of metal, from eight to ten tons, transferred at each pour. This improvement has been achieved by relining the crucibles with a thinner refractory, without loss of insulation performance. This in turn ensures more molten metal is delivered into the main melters, reducing their energy needs.

Electricity

Electricity consumption decreased by 1.1% largely attributable to the continued success of the variable speed drive (VSD) project, which continues to see implementation. During the period under review 18 147 GJ was saved due to the installation of VSD.

The projects to capture consumption data accurately and match this to the tons produced continued through 2018. Significant progress has been made with the installation of power meters at machines, the development of an industrial network to support the uninterrupted transfer of data and the installation of IT systems to support problem solving and decision making.

ELECTRICITY INTENSITY (GJ/MT)



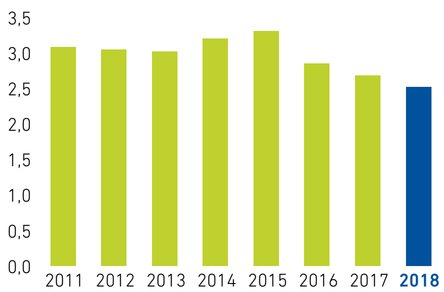
WATER

The water consumption per unit production continues on a positive downward trend and has dropped in 2018 to 40% below 2010 levels. Water consumption levels have decreased per unit to the lowest levels since 2011 mostly through awareness campaigns and identified wastages.

The capital expenditure for the largest potential water savings project has been approved. This Campsdrift Remelt Cast Water Recycling plant will be installed by April 2019. The objective for this plant is to recycle 80 000 litres per day from the cast water system for use in the cooling towers.

Hulamin recognises that South Africa is a water scarce country and we aim to continually set aggressive water consumption targets.

WATER INTENSITY (Kℓ/MT PRODUCTION)



RECYCLING

Scrap metal recycling

In 2018, Hulamin continued to grow the benefits from its Campsdrift Recycling centre, which is designed to efficiently remelt light gauge and coated aluminium scrap streams and enable the recycling of post-consumer scrap such as used beverage cans (UBCs). The Recycling centre supplied the Remelt facility with an additional 43 000 MT of liquid metal, of which 27 000 tons was from post- and pre-consumer scrap, representing a 27% increase on 2017. This directly replaces the requirement for primary metal.

Aluminium scrap Hulamin is unable to use is recycled by appropriate third party users. However, in the majority of cases the recovered aluminium is fed straight back into our Remelt facility in a closed-loop system.

During 2018, Hulamin continued with its support of the recently formed producer responsibility organisation, Metal Packaging South Africa (METPAC-SA), where the focus was on preparing an Industry Waste Management Plan in response to the Department of Environmental Affairs call for plans.

Waste recycling

Dross is a natural waste by-product of the aluminium melting process. Hulamin has for many years outsourced the service of recovering aluminium from the dross generated at our remelt, recycling and other furnaces. Prior to 2016, the resulting waste stream (salt cake) had been going to landfill. From 2017 and continuing into 2018, Hulamin ensured that salt cake was sent to a recycler to beneficiate into a range of end-user products, thereby avoiding landfilling.

Manufactured capital

Manufactured capital is the infrastructure, plant and equipment that we use to produce our products. It includes assets that are produced by other entities and those manufactured internally and excludes intellectual capital such as software. The management of these assets is a key business imperative and is considered an essential element in achieving manufacturing excellence and operational performance. Our high-tech, state-of-the-art rolling and semi-fabrication assets are central to our operations. The implementation of leading asset maintenance and care policies will improve asset utilisation and profitability.

A LOOK BACK AT OUR GOALS FOR 2018

- Manufacturing performance yield for 2018 decreased to 66,1% (2017: 66,9%) due to a more complex mix of products being produced.
- Can body stock production ramp up continues in line with our targets.

THE FOCUS FOR 2019

- Continue to improve our production performance and efficiencies to reach our upwards revised target of 67%.
- Continue to optimise our cost-efficiency programme without hampering the achievement of targeted production and sales levels.
- Improved utilisation of cheap scrap metal units and the optimisation of the Camps Drift and Isizinda remelt facilities.

OPERATIONAL STATISTICS

REPAIRS AND MAINTENANCE
R286 million
(2017: R282 million)

GROUP SALES
245 000 tons
(2017: 233 000 tons)

ROLLED PRODUCTS SALES
228 000 tons
(2017: 215 000 tons)

ASSET ADDITIONS
R242 million
(2017: R261 million)

ASSET DISPOSALS AT COST
R21 million
(2017: R94 million)

EXTRUSIONS SALES
17 000 tons
(2017: 18 000 tons)

PERFORMANCE YIELD
66,1%
(2017: 66,9%)

ASSETS CARRYING AMOUNT
R1 901 million
(2017: R3 325 million)

ROLLED PRODUCTS COST PER TON INDEX
95,0%
(2017: 90,1%)

STRATEGIC ASSET BASE

The strategic assets of Hulamin can be separated into the following key categories, of which all are important to the overall state-of-the-art facilities that produce our products.

GROUP ASSETS

INFRASTRUCTURE

Buildings, roads, pipelines and other services essential for production.

STRATEGIC SPARES

Spares, which are essential to production, are on hand in the event of breakdowns and urgent repairs.

REMELT AND CASTING

REMELT AND CASTING EQUIPMENT

Melting and holding furnaces are used to melt and blend primary aluminium, alloying elements and scrap aluminium. The casting launder and moulds are used to solidify the molten aluminium into rolling slab. There are three slab production lines in Pietermaritzburg with a capacity of 240 000 tons per year, with Isizinda providing further rolling slab production capacity in excess of 120 000 tons per annum.

RECYCLING PLANT

Coated and painted scrap is also processed via the aluminium reclamation operation which consists of a shredding line, de-coater and induction furnace. The processed scrap is fed into the slab production lines above.

ROLLING AND FINISHING

MILLS

Hulamin has state-of-the-art rolling mills, which roll the slab into coils. The hot mills roll heated slab, substantially reducing its thickness and multiplying its length by up to 24 times. The cold mills further roll the hot-rolled coils to achieve the required gauges and properties.

PLATE PLANT

The aluminium plate plant is a technologically advanced process that includes heat treatment, sawing, stretching and cut-to-length lines.

SLITTERS

These items of equipment form part of the finishing processes. These high-tech machines allow for a high-quality product that meets customers' specific needs.

COATING

Coils can be coated with paint or lacquer using rollers and then oven-cured. The coil coating process is designed to ensure highly consistent quality.

EXTRUSIONS

EXTRUDING

Billet presses push softened metal through dies to create desired profiles, which are then finished by either coating, anodising or fabrication. Hulamin has two extrusion plants, both of which boast these advanced technologies.

POWDER COATING

Profiles are pre-treated in order to clean and prepare the surface. Electro-statically charged powder is sprayed and attracted to the profile to form an even coating.

KEY CAPITAL RELIANCES

Local aluminium smelters

Hillside aluminium smelter (source of primary aluminium for Hulamin's remelt and casting operation).

Bayside casting facility

Bayside casthouse (source of one-third of Hulamin's requirements for rolling slab for the rolling operation).

Hulamin operations

Hulamin's remelt operations, consist of:

- Three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year.
- An aluminium reclamation operation.
- Two twin roll casters, which are able to process scrap and primary metal into coil, with the capacity to produce 20 000 tons of coil per year.

ROLLING

Hulamin is a conventional flat rolled aluminium products producer and operates hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tension levelling and foil finishing facilities. A state-of-the-art plate plant is equipped with a range of equipment including sawing, stretching and plate cut-to-length lines.

EXTRUDING

Hulamin manufactures the majority of the extrusion dies for its two extrusion plants. Heated billet is placed in an extrusion press which pushes the softened metal through the die to produce the desired profile. Finishing options include powder coating, anodising and fabrication.

Scrap processing

Hulamin operates an aluminium reclamation operation which consists of a shredding line, de-coater and induction furnace which is used to process light and coated scrap to produce aluminium sows that are fed into the three slab production lines. A R300 million investment in a scrap sorting, processing and recycling facility was approved in 2013 and went online in the third quarter of 2015. The facility was completed on time and within budget.

ASSET MANAGEMENT STRATEGY

The purpose of the asset risk management strategy is to provide a structured approach to the implementation of an asset risk management system, based on ISO 55000 and ISO 31000 principles.

Our asset management strategy is aligned with international best practice. The focus is on asset care, operation and maintenance while considering the asset performance and the effect of external factors.

KEY AREAS OF FOCUS

Business risk assessment

To identify potential assets that pose a high risk to the overall business objectives.

Operation task criticality

To determine activities related to assets that can cause harm to people and the environment while performing these activities.

Equipment criticality analysis

To identify the most significant equipment and determine the most appropriate approach to the development of maintenance tasks.

Spares criticality analysis

To determine inventory categories and develop an approach for a specific spare or material.

Asset acquisition risk management

To determine issues that should be included in the specification of the asset such as training, integration of systems, energy considerations, critical spares and technology.

ASSET CARE

The asset care team ensures that equipment is kept in good, functional condition and contributes to safe working conditions and prevents environmental damage.

Our dedicated asset care team is focused on furthering the:

- Development and implementation of Asset Risk Management policies and governance.
- Development and implementation of centralised work planning and control.
- Development and implementation of improved material management systems.

Our reliance on manufactured capital and our approach to the management thereof allow for us to extract the benefits and value of our assets.

RECYCLING PLANT

Hulamin has invested in the infrastructure needed to recycle Used Beverage Cans (UBCs) and other end-of-life and customer scrap in the most effective and environmentally responsible manner.

The recycling centre, which cost R300 million, has further advanced our manufactured capital. The construction of this plant was within budget and came online in the third quarter of 2015. The facility is now in the process of ramping up to full capacity.

Financial capital

CONSISTENT AND IMPROVING OPERATIONAL PERFORMANCE DRIVING UNDERLYING FINANCIAL DELIVERY	• EPS down from 95 cents to negative 242 cents in 2018 after the recognition of a R1,45 billion impairment charge. • Normalised[1] earnings per share up 20%, building on ongoing operational improvements since 2016 • H2 2018 normalised[1] EPS of 116 cps (annualised) • On course to deliver 2022 ambition
STRONG FREE CASH FLOW PERFORMANCE, MAINTAINING BALANCE SHEET STRENGTH	• A further R90 million free cash flow delivery in FY2018, R298 million free cash flow adjusted[2] • Cumulative R800 million free cash flow, R1 billion free cash flow adjusted[2], in three years (average R1.02 FCF/share p.a.) • Improvement in capex management yielding results • Debt/equity at 8% post impairment
INCREASING RETURNS TO SHAREHOLDERS	• Final dividend of 18 cps (2016 and 2017: 15 cps) • Dividend cover increased to 5x HEPS (target 3x HEPS) • R60 million share repurchase programme
R1.1 BILLION POST-TAX IMPAIRMENT TO NAV, IMPACTING ROLLED PRODUCTS AND EXTRUSIONS	• Underlying cash flow delivery on course, but higher discount rate • WACC increased by >3.5% – reflecting higher hurdle rates, global macro uncertainties

PURPOSE

The purpose of this review is to provide insight into the financial performance and financial position of the group for the year ended 31 December 2018 and should be read in conjunction with the annual financial statements presented on pages 108 to 187.

OVERVIEW

Consistent and improving operational performance driving underlying financial delivery

Strong operational performance drove an increase in sales volumes on the prior year of 5%, achieving record sales volume of 245 000 tons (2017: 233 000 tons). This was complemented by strong unit conversion margins which were 4% better than the prior year.

Continued delivery of Hulamin's cost management programme and an increase in the utilisation of market scrap in Hulamin's input metal mix assisted to offset the impact of inflationary pressures, including the significant impact of higher commodity prices, most notably Brent crude, relative to the comparative period. Manufacturing costs on a per unit basis were 3.5% higher than the prior year, but lower by 1.2% in real terms.

The Rand was less of a factor on a year on year basis, although it was volatile, averaging R12.30 in the first half and R14.18 in the second.

Earnings per share decreased to negative 242 cents in 2018 following the recognition of a R1,45 billion impairment charge. Normalised earnings per share[1] improved by 20% over the prior year.

The non-repeat of a significant metal price lag gain of R150 million in the comparative period compared with a gain of just R4 million in the current year, offset by once-off adjustments, including an accounting anomaly (which also resulted in a restatement of prior year results), resulted in a 4% decline in Hulamin's headline earnings per share to 91 cps from the 95 cps achieved in the previous year (as restated).

Group earnings before interest, tax, depreciation and amortisation (EBITDA), on a headline basis, improved 4% to R742 million (31% increase before metal price lag).

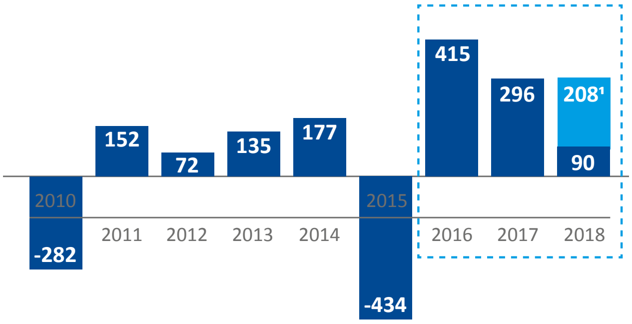
The second half of 2018 recorded an impairment loss of R1,45 billion bringing EPS down to negative 255 cents in the second half. Underlying results in the second half of 2018 were particularly strong, recording HEPS of 78 cps, after HEPS of 13 cps was achieved in the first half. After adjusting for once-off items and the impact of metal price lag, normalised[1] EPS of 58 cps was achieved in the second half of 2018, demonstrating the sensitivity of Hulamin's results to the currency.

Consistent strong free cash flow delivery

Continued focus on working capital efficiencies, together with responsible levels of capital expenditure resulted in cash inflows before financing activities (free cash flow) of R90 million which enabled the group to reduce its borrowings to R294 million from R317 million at the close of the comparative period. Free cash flow (adjusted), represented by free cash flow adjusted for the inclusion of a significant customer payment, of R298 million (2017: R296 million) was achieved. Further information is provided in the Supplementary information section of this report.

1 Normalised earnings is defined as earnings excluding metal price lag, non-recurring items and once-off adjustments as presented in note 2.2(c).
2 See the supplementary information section of this report for further detail.

OVER THE LAST THREE YEARS, HULAMIN HAS DELIVERED CONSISTENT FREE CASH FLOW AMOUNTING TO A CUMULATIVE >R800 MILLION, FREE CASH FLOW ADJUSTED[1] (>RI BILLION)



Consistent and increasing returns to shareholders

A final dividend of 18 cps was declared for the 2018 financial year (a dividend cover ratio of 5 times HEPS). A dividend of 15 cps was declared in 2017 (7 times HEPS).

In addition, Hulamin will distribute capital to shareholders by means of a general share buy-back. Hulamin has set aside R60 million for this share buy-back which is intended to run for approximately the next 12 months.

Given the current discount of Hulamin's market capitalisation to net asset value, the strong trend in underlying financial performance and generation of cash flow, and following the conclusion of a substantial strategic review, Hulamin will repurchase shares on an open market repurchase programme until the annual general meeting in terms of the existing shareholder approval obtained at the previous annual general meeting, and will continue with this programme subject to further shareholder approval at the 2019 AGM.

MARKET REVIEW

Key external drivers of performance

Domestic currency

The Rand experienced continued volatility to the US Dollar during the current financial year. The Rand averaged R13.25 to the US Dollar (1% lower than the prior year).

As "Ramaphoria" continued to provide renewed excitement in the South African economy after the ANC elective conference on 18 December 2017 the Rand rallied during the first quarter of 2018. Continued Rand strength during the six months to June 2018, averaging R12.30 to the US Dollar, placed pressure on earnings.

Changes in global emerging market sentiment, however, drover the Rand to its weakest levels since 2017 against the US Dollar as the Rand reached R13.29 on 7 June 2018. Investors across the world anticipated a global economic slowdown as the threat of a trade war between the US and China loomed fuelled by trade duties introduced by US President Donald Trump. This, together with specific domestic issues in emerging markets, resulted in the largest outflow of investment from emerging markets since 2016 placing downward pressure on emerging market currencies relative to the US Dollar.

As interest rates in the US and Europe continue to increase, emerging market economies, including South Africa, are becoming less attractive to foreign investors.

During the current financial year, the Rand traded between R11.52 and R15.50 to the US Dollar. The Rand was weaker against the Euro for the 2018 financial year, recording a loss of 3.5% on the average of the previous period.

Impact on profit and loss*

- Underlying EBIT (conversion margins net of currency-affected costs)
- Metal price lag (net of hedging derivatives)

Impact on free cash flow*

- Underlying EBIT (conversion margins net of currency-affected costs)
- Hedging derivatives
- Foreign receivables, payables and capital expenditure

** Hulamin's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.*
[1] See the supplementary information section of this report for further detail.

Key external drivers of performance continued

Domestic market

Domestically the excitement that had set in with the election of Cyril Ramaphosa started to wain as more signs emerged that the economy will not soon snap out of its lethargic season. Civic unrest, tax hikes and painful fuel increases continued to weight on confidence culminating in low GDP growth and a technical recession being announced in the third quarter of 2018. Interest rate increases during the current financial year has assisted in keeping inflation within the Reserve Bank's upper inflation target of 6%, averaging 4.8% during 2018.

Impact on profit and loss*

- Underlying EBIT (demand, conversion margins, manufacturing costs and inflation)
- Interest costs

Impact on free cash flow*

- As per profit and loss

Export market

The US market has been volatile, but on the whole supportive to Hulamin during 2018, although there is increasing uncertainty in the market pending a possible resolution of trade relations between the US and China. The European market has generally experienced softer conditions, however, overall Hulamin has performed well in its export markets in 2018.

Impact on profit and loss*

- Underlying EBIT (demand, conversion margins)

Impact on free cash flow*

- As per profit and loss

** Hulamin's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.*

Primary aluminium

The average US dollar aluminium price of $2 110 (2017: $1 968) was 7% higher during the period under review. The improvement in the average price of aluminium was largely supported by an improved price in the first six month of the period as the metal price averaged $2 209 (2017: $1 880). During this period the aluminium price was particularly bullish on the back of sanctions imposed on Russian oligarch *US Rusal* and the imposition of trade duties on both Chinese and US allied steel and aluminium imports as markets anticipated a tightening of aluminium supply.

Impact on profit and loss*	• Metal price lag (net of hedging derivatives)
Impact on free cash flow*	• Hedging derivatives

The aluminium price settled at an average price of $2 011 (2017: 2 056) for the six months to December and displayed less volatility. Prices settled as the US-government continued to extend deadlines on sanctions imposed on *US Rusal*, the world's second largest aluminium producer. *US Rusal* have approached the US-government with substantial corporate governance changes that could potentially result in significant changes of as initially requested by Washington. The US-government has again extended the imposition of sanctions until 7 January 2019.

As demand continues to exceed supply ex-China the aluminium price has continued to see support during the year under review. This trend is expected to continue into 2019 as the use of aluminium continues to be adopted in new industries and products.

The average Rand aluminium price during the last few months of 2018 was only slightly higher than the corresponding period in 2017, while inventory levels were similar. This resulted in an insignificant metal price lag benefit of R4 million for the full year (2017: R150 million).

** Hulamin's financial risk strategy and approach is set out in the section entitled KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES.*

FINANCIAL PERFORMANCE

The financial performance of the group is measured in terms of various key financial measures which include operating profit, headline and normalised earnings, return on capital employed, cash flow generation, gearing and liquidity, as set out below in further detail.

SEGMENT PERFORMANCE

The Rolled Products segment recorded operating profits of R530 million (before impairment), an increase of 10% over the prior year. Hulamin Extrusions incurred an operating loss (before impairment) of R29 million during the current period as stagnant local market demand and continued imports from Chinese markets eroded volumes and margins. Note 2.1 of the group financial statements discloses more information on our operating segments contribution.

Hulamin Rolled Products 2017 results have been restated and this has also impacted on the 2018 results (refer section entitled ACCOUNTING POLICIES below). The impact of this has been an increase in 2018 operating profit of R40 million and a decrease in 2017 of the equivalent amount.

Rolled Products operating profit

Controllable earnings

The Rolled Products segment built on strong manufacturing performance delivered in 2017, which included a 12-day integrated shut. Risk mitigation systems continue to be effective and the plant reliability was stable. This led to an improvement in sales volumes to a record 229 000 tons (group sales volumes improved to a record 245 000 tons).

Overall, average unit US Dollar rolling margins achieved in 2018 were some 4% higher than the prior year. Trading conditions in the local market faced some pressure as Chinese supply flooded the South African market with the imposition of US trade duties particularly against Chinese metal. In the local market can stock sales represent 46% of total domestic sales, up from 40% in the prior period. A strong performance in export market margins was achieved in 2018 as Hulamin benefited from favourable market conditions in the US.

Material costs, packaging and gas costs were impacted by higher commodity and crude oil prices and increased volumes. Salary and wage increases in 2018 were above the official consumer price inflation level, however, there was a welcome reduction in the rate of increase in electricity prices approved by NERSA for the period 1 July 2017 to June 2018 to 2.2%. However, due to the poor financial state of Eskom, the risk remains that electricity prices will increase significantly going forward.

Excellent progress was made during the current financial year both in terms of the delivery of continued cost reduction against target and the development and the roll out of Hulamin's cost optimisation programme. This, together with the strong production performance, mitigated the impact of inflation and commodity price increases, and resulted in an improvement in unit manufacturing costs at Rolled Products in real terms by 1.2% (3.5% higher in nominal terms).

Hulamin's cost optimisation programme, which was rolled out at the beginning of 2017, aims to deliver further measurable, sustainable cost reduction of R300 million over the next five years.

In the current year, Hulamin delivered a number of cost reductions through the deployment of lean methodology, supported by improved cost management systems. Procurement and supply chain improvements resulted in reductions in certain material and packaging costs. Baseline gas costs improved as Rolled Products converted a further 35% of its gas supply to compressed natural gas, which now stands at 45% of its total supply. The remelt and casting operation remains fully supplied by liquid petroleum gas, whilst Hulamin continues to seek a long-term solution to securing piped gas into the region.

Currency impact on underlying operating profit (externality)

The Rand averaged R13.25/USD for the 2018 financial year, 1% stronger than the previous year's average of R13.32/USD. This had a slightly negative impact on the current year's operating profit as Hulamin's conversion margins are predominantly foreign currency-denominated.

Metal price lag (externality)

Following a significant metal price lag gain of R150 million in 2017, a gain of just R4 million was realised in the current year as the Rand aluminium price during the last few months of 2018 was only slightly higher than the corresponding period in 2017, while inventory levels were similar.

FINANCE COSTS

Net interest paid decreased by 19% to R80 million as a result of lower average borrowings during the current financial year.

Net finance cost was only slightly lower than the comparative period at R74 million due to a lower proportion of borrowing costs capitalised to plant and equipment in the current financial year.

TAXATION

The effective rate decreased from 27.8% to 24.4% in the current year, largely due to a deferred tax asset in relation to the Hulamin Extrusions operating segment not being recognised.

HEADLINE EARNINGS

Basic headline earnings for the group decreased by 4% to R292 million in 2018 from R305 million in the previous year.

FREE CASH FLOW

A strong operational performance and working capital management, together with controlled capital expenditure, resulted in the group generating cash flow before financing activities (free cash flow) of R90 million (2017: R296 million), and free cash flow (adjusted) of R298 million. (2017: R296 million).

Operating cash flow

The group generated positive cash flow before working capital changes of R673 million in 2018, a 10% decrease on the previous year.

Working capital management

Working capital increased by R284 million (8%) in the 2018 financial year, largely attributable a 5% increase in sales volumes and the increase in rolling margins.

Rolled Products has continued to improve its inventory efficiencies, building on improvements delivered since 2016. The Rand value of inventory nevertheless increased by 5% but declined in terms of number of days of sales.

Rand receivables increased by 25% over 2017. The increase in receivables was mainly due to higher levels of sales, together with increased conversion margins. Overall, improved efficiencies were recognised. Almost all receivables are insured, with a 10% deductible, and the quality of the book remains excellent.

Trade payables increased by 11% on the prior year, mainly as result of the impact of the higher volume levels.

Capital expenditure and commitments

Cash outflows from investing activities for the year decreased to R242 million from the R261 million net outflow in 2017. An amount of R175 million (2017: R43 million) has been contracted and committed but not spent.

CAPITAL MANAGEMENT

BORROWINGS AND LIQUIDITY

Net borrowings closed at R294 million, down from the R317 million on the prior year closing position. Borrowings comprised the balance of R108 million on an original R270 million term loan (put in place to fund the investment in Hulamin's recycling facility), a R632 million revolving working capital loan and a R80 million loan from the employer surplus in the pension fund, reduced by cash balances of R526 million. Committed facilities totalled R1 838 million, leaving headroom of R1 544 million at year-end.

Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants have been met with a significant safety margin in the 2018 financial year.

Gearing (net debt to equity) increased to 8%, after the impairment charge. The low level of gearing is expected to be further reduced in the short term.

DIVIDENDS

The group has maintained its policy to target a distribution to shareholders which is three times covered by headline earnings, after due consideration of current and forecast cash-generation, liquidity and gearing levels, and planned capital expenditure.

A final dividend for the 2018 financial year of 18 cps has been approved (2017: 15 cps). This represents a distribution which is five times covered by headline earnings and is considered appropriate in order to permit a further reduction in the group's gearing levels.

In addition, the group has reserved R60 million to fund an open market share repurchase programme over the next 12 months.

KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

METAL PRICE RISK AND CURRENCY EXPOSURE

Hulamin purchases primary aluminium and converts this into rolled or extruded aluminium products. It sells the aluminium component in its products to its customers and, in addition, earns a conversion margin as compensation for its costs of casting, rolling, extruding and finishing its various products.

Conversion margin and costs (currency risk)

The group's conversion margins, particularly in its Rolled Products segment, are largely denominated in US Dollar and Euro. Certain of its manufacturing and distribution costs are also foreign currency-denominated.

The group does not hedge these exposures and its profits are therefore impacted by currency levels on its conversion margins net of foreign-denominated costs.

Aluminium purchases and sales (metal price and currency risk)

The price of aluminium purchased by the group and sold to its customers is typically based on the monthly average US Dollar LME price in the month prior to the month of delivery. It usually takes about three months to produce and invoice the semi-fabricated products sold to customers and during this period the quoted LME price may increase or decrease. Similarly, the Rand fluctuates against the US Dollar during this period, resulting in the purchase price of aluminium in Rand differing from the price realised upon sale.

On an unhedged basis, this can result in a high level of profit and loss volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales. However, there is a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.

The group uses derivative instruments, forwards and swaps, to reduce these profit and loss exposures. The group applies a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the metal lag. Eliminating 100% of the price risk with derivatives would create a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements.

The unhedged fluctuation in the US Dollar aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits. During the current financial year the group made a pre-tax gain of R4 million from metal price lag (2017: R150 million gain). This net gain was made up of Dollar-denominated gains on the purchase and subsequent sale of metal offset by losses on derivative instruments.

Foreign-denominated receivables, payables and import transactions (currency risk)

The group hedges its currency exposures on foreign-denominated receivables and payables from invoice date to expected receipt or payment date and on import transactions from the date of commitment.

INTEREST RATE RISK

The group is exposed to interest rate risk with respect to its borrowings which carry variable rates. Net interest payments of R80 million were 19% lower than that incurred in the prior year (including interest capitalised of R7 million).

MATERIAL ITEMS

IMPAIRMENT ASSESSMENT OF ROLLED PRODUCTS ASSETS

International Accounting Standard (IAS) 36 requires that management assess the carrying value of assets at every reporting date for possible impairment in value where an indicator of impairment exists. Where the share price of a listed entity trades at a discount to its underlying net asset value such an indicator is triggered and management are obliged to determine the value in use of the assets and should this be below their carrying value, make an appropriate adjustment.

Hulamin is focused on improving returns to shareholders. We are actively managing this through delivering EBITDA performance, tighter control over capital expenditure, paying down debt levels and now additionally through imposing a higher hurdle rate for improvement projects.

Mounting uncertainty in the macro environment and the associated rise of risk indicators, has also supported increasing the company’s weighted average cost of capital (WACC) to more accurately value the company’s internal forecasts of future cash flows.

This WACC increase results in material changes to the valuation of assets and, as a consequence, an impairment charge of R1.376 billion has been applied to Hulamin Rolled Products and R74 million to Hulamin Extrusions.

Full details are provided in note 5.3 to the financial statements and the determination was reviewed by the company’s external auditors. Key sensitivities are explained in the note and the Rand/US Dollar exchange rate assumed is a key determinate of the value in use of the assets due to the impact of the exchange rate on profitability. The valuation assumed a rise in the average Rand/US Dollar exchange rate from R14.27 in 2019 to R15.06 in 2023.

ACCOUNTING POLICIES

NEW ACCOUNTING STANDARDS

The group’s accounting policies are governed by International Financial Reporting Standards (IFRS). Guidance has been obtained from the International Financial Reporting Interpretations Committee (IFRIC) and circulars. The group maintains the view that the standards set the minimum requirements for financial reporting.

During the year, the group adopted the IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from contracts with customers”. The adoption of these standards has impacted the financial statements, which effects have been set out in note 9.8. The adoption of amendments to other standards has not had a material impact on the group.

The group has assessed the impact of IFRS 16 “Leases”, which will come into effect for the year ending 31 December 2018. The impact of this standard has been further described in note 1.2 to the financial statements.

RESTATEMENT OF PRIOR YEAR FINANCIAL INFORMATION

The financial performance of Hulamin Rolled Products is exposed to the impact of metal price lag and accordingly implements a hedging programme to balance the cash flow and profit effects of this lag.

In order to apply hedge accounting as envisaged in IAS 39, the group has historically designated the sale, and not the purchase of the inventory, as the hedged item. This designation causes a mismatch between changes in fair value of the hedged item (which includes rolling margins, geographic premiums and transport costs) and the hedge instrument (which only relates to the commodity portion of the sale).

We have reviewed the application of hedge accounting in terms of the IAS 39 standard and believe that the expectation of prospective hedge effectiveness as envisaged in the accounting standard is not appropriately satisfied and could therefore create volatility which would be expected to breach the effectiveness guidelines provided in IAS 39. The comparative results have consequently been restated.

There is no cumulative impact on earnings and also no impact on cash resulting from this restatement. Hulamin's commodity risk management programme is highly effective. Hulamin plans to adopt the new financial instruments standard IFRS 9, in 2019, which will overcome the limitations of IAS 39.

The comparative results have consequently been restated. The impact of this is set out in note 9.7 of the financial statements.

SUPPLEMENTARY INFORMATION: FREE CASH FLOW (ADJUSTED)

Basis of preparation

The cash flow generated from operations and cash flow from investing activities which equates to cash flows before financing activities of Hulamin ("free cash flow") adjusted for the impact of the inclusion of a significant customer payment ("free cash flow (adjusted)") included in the report of free cash flow (adjusted) for the year ended 31 December 2018 has been prepared for illustrative purposes only and because of its nature may not fairly present Hulamin's cash flows.

The free cash flow (adjusted) is based on cash flows before financing activities for the year ended 31 December 2018.

The free cash flow (adjusted) has been prepared to illustrate the free cash flow adjusted for the impact of a significant customer payment that was due to the group and was fully authorised by the customer and scheduled to be paid on that same date. However, the customer's intra-day bank limit caused the entire payment batch to be blocked and therefore this payment only concluded in early January 2019. The directors of Hulamin feel that this anomaly mis-represents the group's cash flows for the 2018 financial year.

The free cash flow (adjusted) is presented in accordance with the JSE Listings Requirements. The free cash flow (adjusted) has not been prepared using the accounting policies of Hulamin and does not comply with IFRS.

The directors of Hulamin are responsible for the free cash flow (adjusted) included in the report of free cash flow (adjusted) for the year ended 31 December 2018.

Ernst & Young Inc.'s independent reporting accountants' report on the report of free cash flow (adjusted) for the year ended 31 December 2018 is available for inspection at Hulamin's registered office.

	2018 R million	2017 R million
Cash flows before financing activities (a)	**90**	296
In transit cash (b)	**208**	–
Free cash flows (adjusted) (c)	**298**	296

(a) Row (a) presents the cash flows before financing activities extracted from the audited financial statements for the year ended 31 December 2018.

(b) Row (b) represents the financial impact of the late payment from the customer on the cash flows before financing activities.

(c) Row (c) represents the free cash flow (adjusted) as at 31 December 2018.

GOING CONCERN

The Board has formally considered the going concern assertion for the group and is of the opinion that it is appropriate for the forthcoming year.

CONCLUSION

Hulamin has again recorded an improved underlying financial performance, building on its improving record of the last few years, supported by a record production and sales performance, together with the impact of improved conversion margins, a focused cost optimisation programme, and prudent management of capital expenditure. This has resulted in the generation of R90 million free cash flow in 2018 (and a cumulative R800 million of free cash flow over the past three years). Free cash flow (adjusted) of R298 million and cumulative R1 billion of free cash flow adjusted over the past three years[1].

This permitted a further decrease in Hulamin's net borrowings, as well as the declaration of an increased dividend and the announcement of a share repurchase programme.

1 Free cash flow (adjusted) over each of the three years is provided on page 9 under the cash flow section.

Performance management

80 Our Approach to Governance

84 Remuneration Report

Performance management

Hulamin views the implementation of good corporate governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

53% **Representation of independent non-executive directors.**

Our approach to governance

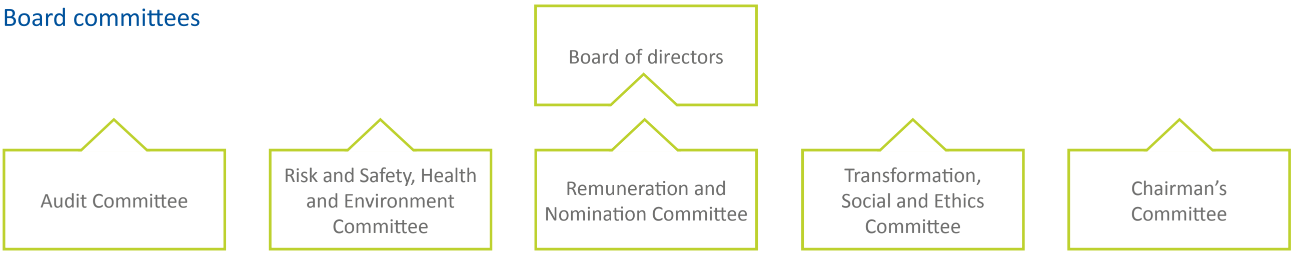
GOVERNING STRUCTURE AND DELEGATION

Hulamin views the implementation of good governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

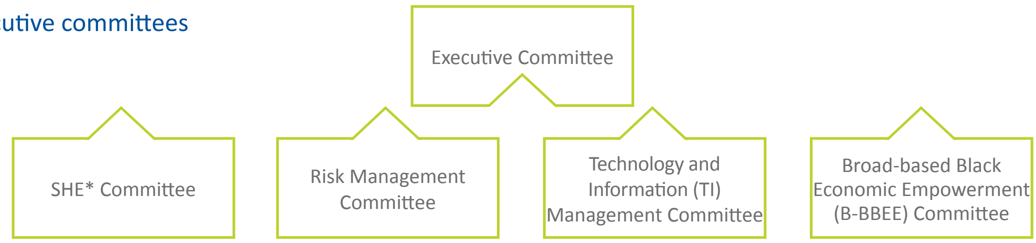
The board has delegated, through formal terms of reference, specific matters to a number of committees whose members and chairman are appointed by the Board. There is full disclosure of matters handled by the committees to the Board.

The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. For further information on the core responsibilities and composition of our committees refer to our separate Governance Report available on our website.

Board committees



Group executive committees



In driving the strategy the Executive Committee's overarching trade-off has been against the objective of generating free cash flow. Below is further context to the considerations the Executive Committee had to make during the 2018 financial-year.

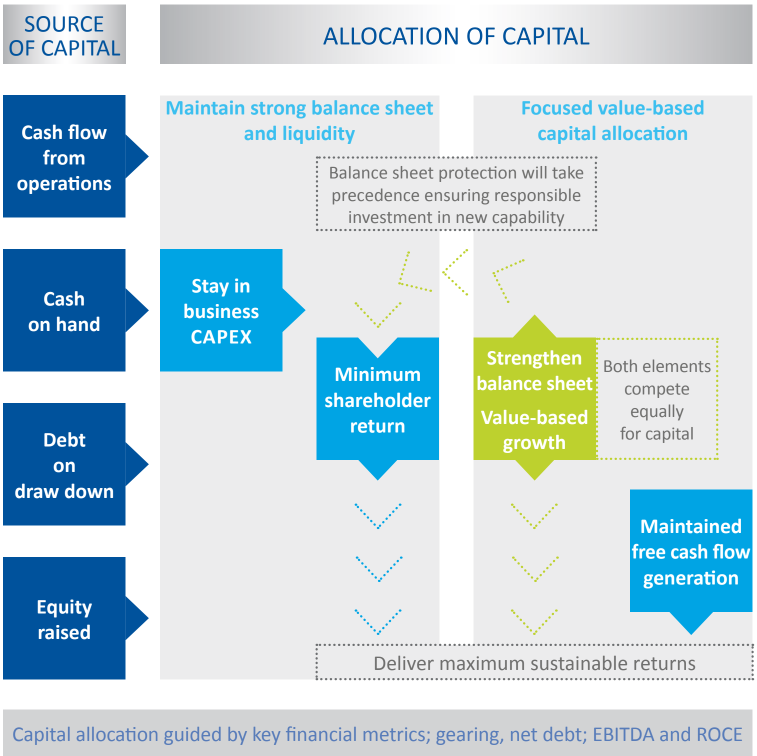
Generating free cash flow to build capability in preparation for a high growth, innovative and green group portfolio	
Understanding the trade-off	**The trade-offs made in 2018**
Generating free cash flow for future investment requires forgoing of a myriad of short-term benefits and investment decisions to maximise cash generation. The Executive Committee has needed to make decisions during the current financial year that are cash conscious to ensure that sufficient free cash flow is generated to implement the strategic objectives as set out by the Board.	Improved capital discipline has resulted in lower allocation of funding to manufactured capital. The Executive Committee continues to monitor the performance, age and obsolescence of our manufactured capital to ensure that sufficient capital is made available to maintain operations in the short-term whilst building for new capabilities. Investment in a working capital optimisation programme has had negative earnings impact during the current financial year but has assisted in unlocking free cash flow. Through the programme the Executive Committee has made decisions regarding optimal safety stock levels, discounts foregone from early settlement discounts and discounts given to our customers. The Executive Committee believes our people are key to our success and has not traded the skills and expertise of our workforce to improve future free cash flow generation.
R800 million cumulative free cash flow generated	Related capitals:

Our strategic intent is further detailed on page 34 of this report.

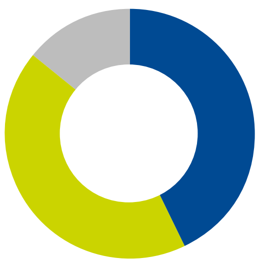
LEADERSHIP ROLES AND FUNCTIONS

The board is led by an independent non-executive chairman. The role of the chairman is distinct and separate from that of the Chief Executive Officer and the separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers and that an appropriate balance of power and authority exists on the board. The Hulamin group board provides strategic leadership to the group with due regard to all stakeholders.

The Executive Committee is responsible for delivering the strategic objectives set by the board of directors. The group executive committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and 10 other suitably qualified and experienced members of senior management. The Executive Committee strives to allocate capital and resources in the best way possible to create sustained value for all stakeholders. Given the constrained and interconnected nature of the capitals we rely on, we must make tough choices about where to allocate our resources to generate sustained value.

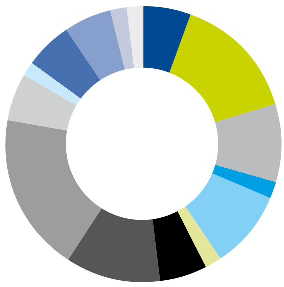


Board demographics



ACI: African, Coloured and Indian

Board skills composition



THE BOARD AT A GLANCE

The Board is the custodian of corporate governance. The Board has adopted the King IV Report on Corporate Governance for South Africa. Our embodiment of each of the principles contained in the code is available in our Governance Report that is available on our website.

The Boards primary role and responsibility is to bring independent, informed and effective judgement and leadership to bear on the material decisions of the company. The Board comprises the appropriate balance of knowledge, skills, experience and independence to effectively discharge its roles and responsibilities. The diversity in its membership across various attributes creates value by promoting better decision-making and effective governance.

Refer to our website for a detailed resume of the Board of Directors. Further information about our board is provided in our Governance Report that is available on our website.

The Board at a glance

	Year of appointment	Age	Audit	Risk and SHE*	Remuneration and Nomination	TSE^	Chairman's Committee
Independent non-executive directors							
ME Mkwanazi (Chairman)[1]	2007	64		Member	Member		Chairperson
TP Leeuw (Chairman)[1]	2007	55	Chairperson[3]	Member	Member		Chairperson
CA Boles	2016	49	Member[6]		Member		
RL Larson	2017	63		Member[7]			
N Maharajh	2016	52	Chairperson[4]	Member[10]			Member[10]
NNA Matyumza	2010	55	Member		Chairperson		Member
Dr B Mehlomakulu	2016	46		Member[8]		Member[9]	
AT Nzimande[2]	2017	48				Member	
PH Staude	2007	65		Chairperson			Member
GHM Watson	2011	67		Member	Member		Member
Non-executive directors							
VN Khumalo	2006	56				Chairperson	Member
SP Ngwenya	2007	65				Member	
GC Zondi (Alternate)	2016	45					
Executive directors							
RG Jacob (CEO)	2010	53		Member		Member	
AP Krull (CFO)	2016	44		Member			
MZ Mkhize	2007	57		Member			

Directors ages are quoted as at 31 December 2018

* *Safety, Health and Environment.*

^ *Transformation, Social and Ethics*

1 *ME Mkwanazi resigned as Chairman of the Hulamin Board with effect from 30 April 2018, and TP Leeuw was appointed Chairman with effect from 1 May 2018.*

2 *AT Nzimande resigned with effect from 30 June 2018 from the Hulamin board.*

3 *TP Leeuw resigned as Chairman of the Audit Committee with effect from 30 April 2018.*

4 *N Maharajh was appointed Chairperson of the Audit committee with effect from 1 May 2018.*

5 *TP Leeuw was appointed as a member of the Remco with effect from 1 May 2018.*

6 *CA Boles was an invitee to the Audit Committee up to 30 April 2018, and appointed as a member of the Audit Committee with effect from 1 May 2018.*

7 *RL Larson was appointed as a member of the Risk and SHE Committee with effect from 1 April 2018.*

8 *Dr B Mehlomakulu was appointed as a member of the Risk and SHE Committee with effect from 1 April 2018.*

9 *Dr B Mehlomakulu was appointed as a member of the TSE Committee with effect from 1 September 2018.*

10 *N Maharajh was appointed as a member of the Risk and SHE Committee and the Chairman's Committee with effect from 1 May 2018.*

THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

The Transformation, Social and Ethics Committee's key responsibilities are:

- Recommend to the Board the strategies and policies to be adopted to ensure the group's Transformation, Social and Ethics targets are achieved.
- Align the group's Transformation, Social and Ethics strategy with its overall business strategy.
- Monitor the implementation and efficacy of the employment equity, black management development, black equity ownership, preferential procurement, skills and enterprise development and socio-economic initiatives of the group.
- Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships.
- Review policies and statements on ethical standards, the code of conduct for suppliers and service providers and on whistle-blowing.

Key areas of focus of the committee during the reporting period are set out in Annexure A of the AGM notice.

Key areas of future focus will be to monitor the implementation of the transformation plan.

Further details on this, and other committees, can be found in our governance report at www.hulamin.co.za

VALUE CREATION THROUGH GOVERNANCE

ACTIVITIES

- **Leadership, ethics and corporate citizenship**
- **Strategy, performance and reporting**
- **Risk, oversight and compliance**
- **Remuneration**
- **Stakeholder relations**
- **Corporate governance**

Provides responsible, accountable and transparent leadership and holds the executive committee accountable for the performance against strategic objectives

VALUE CREATED

Culture
Being good,
by doing good

Delivering strategy
See page 36
of this report

Delivering stakeholder value
See page 24
of this report

Remuneration and nomination committee report

PART A:
The chairperson's statement 84

PART B:
The forward-looking remuneration policy 86

PART C:
The implementation of the 2018 remuneration policy 92

Composition of the committee:

Chairman (remuneration):
NNA Matyumza

Chairman (nominations):
ME Mkwanazi (until 26 april 2018)
TP Leeuw (from 26 april 2018)

Other members:
CA Boles
GH Watson

PART A:

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2018 financial year on behalf of the Remuneration and Nomination Committee ("Remco"). The purpose of this report is to provide the stakeholders with a detailed summary of the organization-wide philosophy and policy pertaining to remuneration at Hulamin Limited ("Hulamin" or the "company"). In accordance with Hulamin's dedication to being a responsible corporate citizen, this report has been aligned to follow best practice reporting standards incorporating the King IV Report on Corporate Governance ("King IV") and the Johannesburg Stock Exchange ("JSE") Listings Requirements.

Despite difficult local and international market conditions, and the volatile South African currency, Hulamin delivered a strong manufacturing performance with best-ever production and sales volumes. In this context, the total STI bonus paid was limited by the business not achieving certain financial performance targets. The 2015 share appreciation right scheme ("SARS") award scheduled to vest in 2018 did not vest as a result of missing financial performance targets in 2017.

REMCO FOCUS AREAS 2018

In addition to its normal responsibilities, the Remco was faced with challenging policy changes, particularly in relation to the implementation of new corporate governance principles and amended JSE Listings Requirements.

ROUTINE ACTIVITIES

- Approve annual salary increases based on the market, inflation, company and individual performances, taking current market benchmarks into account
- Approve Short- and Long-Term Incentive scheme awards and performance conditions
- Review and recommend non-executive directors ("NED") fees to the shareholders
- Review and recommend Remco terms of reference to the Board
- Review the Remuneration Policy and Remuneration report

NNA MATYUMZA
Chairperson

NON-ROUTINE ACTIVITIES

- Approved new share incentive scheme being the equity-settled conditional share plan ("ECSP") for recommendation to the shareholders – approved at the annual general meeting
- Considered the requirements for a Fair and Ethical pay framework in order to structurally address the concept of "Equal pay for work of equal value"
- Reviewed succession planning for the CEO and Executive

The Remco has obtained the support, advice and opinions of external advisors on various remuneration-related matters. The Remco is satisfied with the constructive, objective and independent advice received.

MANAGEMENT REMUNERATION – A DYNAMIC CONTEXT

Issues around executive remuneration, disparities in pay and transparent disclosure remain topics with widely diverse opinions in South Africa. Cognisant of these issues, the Remco has continued to implement initiatives and policy changes in line with King IV and the JSE Listings Requirements.

With the introduction of the new ECSP in 2018, the previous 2007 schemes (SARS, long-term incentive plan ("LTIP"), and deferred bonus plan ("DBP")) were discontinued, and no further awards will be made under these old schemes.

In addressing the requirements of the Employment Equity Act 55 of 1998 with regards the principle of equal pay for work of equal value, the Remco has initiated a Fair and Ethical Pay framework. In addition to this, when annual salary increments are applied, adjustments are weighted in favour of employees at lower remuneration levels.

In line with best practice, King IV and the JSE Listings Requirements, we will continue to submit the remuneration policy (part B) and the implementation report (part C) for separate, non-binding advisory votes at AGMs.

SHAREHOLDER ENGAGEMENT

In line with best practice and our value of remuneration being aligned with shareholders and their interests, we regularly engage with shareholders, in 2018 specifically on the design of the revised long-term incentive scheme.

APPRECIATION

The Remco is satisfied that we properly executed our duties in terms of our mandate for FY2018. At the AGM held on 26 April 2018, Hulamin received a 98.55% non-binding advisory vote in favour of both its remuneration policy and implementation report.

We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamin and, particularly, the Remco, are steadily continuing on the journey of implementing best practice standards in our remuneration reporting and disclosure.

NNA Matyumza
Chairman of the Remuneration and Nomination Committee

PART B: THE FORWARD-LOOKING REMUNERATION POLICY

The Remco is a subcommittee of the Board of the company (the "Board") with delegated authority. Hulamin's remuneration policy is reviewed annually by the Remco and submitted for approval by the Board. The Remco responsibilities and actions are set out and governed in its terms of reference, read together with Hulamin's remuneration policy and other applicable documents.

The Remco meets at least three times per annum. The Remco members and their meeting attendance record is detailed below:

Member	6 Feb Scheduled	22 Feb Special	14 Jun Scheduled	8 Nov Scheduled	5 Dec Special
NNA Matyumza	✔	✔	✔	✔	✔
CA Boles	✔	✔	✔	✔	✔
TP Leeuw (from 26 April 2018)	N/A	N/A	✔	✔	✔
ME Mkwanazi (to 26 April 2018)	✔	✔	N/A	N/A	N/A
GH Watson	✔	✔	✔	✔	✔

In 2018, scheduled Remco meetings were held on 6 February, 14 June, and 8 November. In addition to the scheduled meetings, Special Remco meetings were held on 22 February and 5 December, shortly before Board meetings, in order to approve recommendations to the board.

Invitees from management who are invited to attend Remco meetings are excused when their respective remuneration is discussed and they also do not take part in any voiting at the Remco meeting.

REMUNERATION PHILOSOPHY

The purpose of the remuneration policy is to provide principles and guidelines on an organisation-wide remuneration structure, including the management of remuneration practices that enable Hulamin to attract, motivate, retain and reward the best talented employees as a key component of the integrated human resources strategies which support the achievement of Hulamin's strategic objectives. The philosophy serves to align the interests of management and shareholders and is clearly communicated to employees concerned.

Hulamin's remuneration philosophy aims to:

- Encourage a culture of enterprise and innovation through providing appropriate individual and company short-term and long-term performance related rewards that are fair and responsible.
- Promote positive outcomes across the economic, social and environmental context in which Hulamin operates.
- Promote an ethical culture and responsible corporate citizenship.

Hulamin's remuneration philosophy is aligned with the principle of "pay for performance" within the boundaries of the company's risk appetite, while avoiding the risks associated with undue windfalls or penalisation as a result of factors outside of employees' locus of control. Variable pay should be only partially affected by the performance of a particular operation in which an employee works where factors outside the employee's control affect the company's financial results (e.g. commodity price or currency fluctuations), so as to find a balance between alignment with shareholder interests and employee rewards.

FAIR AND RESPONSIBLE REMUNERATION

The Board, supported by the Remco, gives due consideration to the principle of fair and responsible remuneration. As there are wide ranging opinions on the topic, the Remco reviews and approves initiatives, policies and arrangements to give effect to this principle (in line with best practice and the company's strategic objectives).

The Remco ensures that executive remuneration (including the remuneration of prescribed officers) is congruent with overall employee remuneration.

The Remco makes recommendations to- and assists the Board in taking the following actions:

- Investigate and assess the internal pay disparities within the company.
- Examine the underlying reasons for pay disparities, if any.
- Calculate Hulamin's internal Gini coefficient to assess the level of income disparity in Hulamin.
- Conduct an assessment of pay conditions between employees in line with the principle of equal pay for work of equal value.

In striving to be a responsible corporate citizen, the company continuously considers initiatives to support the principle of fair and responsible remuneration and improve the employment conditions of all employees within the company.

REMUNERATION MIX

Structure of packages

The quantum, structure, composition and mix of remuneration packages supports the company's strategic objectives, is market related and is aimed at being competitive in the company's industry. To this end market surveys are conducted annually and used as input where action is required to ensure above principles are applied fairly to all stakeholders.

The appropriate mix between guaranteed and variable pay (including the short- and long-term elements of remuneration) are reviewed by the Remco and the Board from time to time taking market trends into consideration. The Remco ensures that the variable components of remuneration are designed to ensure an appropriate level of risk to the company and its long term objectives, avoiding any possible over-dependence on its variable components.

Note that at lower salary levels, the on-target remuneration mix is weighted towards TGP. and that variable pay constitutes a smaller proportion of total remuneration.

Guaranteed pay (TGP)

CASH SALARY

The major portion of guaranteed pay consists of a cash salary. Regular benchmarking exercises are conducted to ensure that Hulamin employees' cash salary is market related and appropriately competitive.

EMPLOYER CONTRIBUTIONS

Guaranteed pay also includes an employer contribution to a company-approved retirement fund and medical aid, as well as a cellular phone allowance based on the employee's grade, and a 13th cheque amounting to 10% of their annual basic salary for all employees from lower E-band and below.

PREMIUMS

It is recognised that market premiums may be necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's salary.

OTHER BENEFITS

In addition to retirement funding and medical aid, Hulamin offers retiring staff with a minimum of 10 years' service a gratuity based on the length of their service and their final salary, as well as general accident insurance for middle and senior management.

POSITIONING

Hulamin aims for guaranteed pay to be in line with the market median, recognising that there are cases of differentiation (i.e. within a range of the market median) based on individual performance and value to the business.

SALARY REVIEW AND INCREASES

Annual cash salary increases for individuals are largely inflationary adjustments. Other factors taken into consideration include: an individual's pay relative to the market, their performance and anticipated future value to the business. Performance ratings are normalised both within an employees' department, and between departments to ensure that ratings approximate a normal distribution. In cases where pay anomalies are identified, attention is given to adjusting the employee's pay in line with the market, their value to the business and their performance.

The aggregate of all annual increases is adopted as a firm upper limit not to exceed the average overall increase approved by the Board. Salary increases of executives are considered individually by the Remco when determining the average increase for other employees.

PERFORMANCE

Performance below expectations is not tolerated and actions (such as performance counselling or disciplinary actions) are taken to ensure that poor performers either improve their performance or exit the company. During the period while under-performance is being addressed, the employee's salary increases would be below average for their grade.

Variable pay

Short-Term Incentive Bonus (STI)

The primary purpose of the STI is to serve as a motivator of performance. Refinements to the STI are considered from time-to-time to improve the efficacy of the scheme.

The STI is based on a combination of corporate financial targets, divisional operational targets and individual performance.

Financial performance conditions are based on an equal weighting of Board-approved annual budgets by division:

- Earnings before interest and taxes ("EBIT"); and
- Operational cash flow

FINANCIAL CAPITAL

Encourages employees to meet the company's liquidity profile and future cash requirements for a more profitable business, ultimately increasing shareholder value.

Operational performance targets are based on the Board-approved annual budget by division:

- Sales volumes measured in tons intended to increase total sales.
- Manufacturing costs including employee costs, including overtime, discretionary costs and a "metals" component to encourage recycling of scrap metals.
- Rolling margins measured in USD per ton as a measure to improve quality of sales volumes.
- Overall recoveries as a percentage of throughput intended to improve efficiencies.
- Working capital as a percentage of revenue to reduce working capital.
- Safety performance.

MANUFACTURING CAPITAL

Encourages employees to meet the company's operational objectives aligning employees discretionary effort with company goals, ultimately increasing shareholder value

Individual Key Performance Areas ("KPA") address the achievement of strategic business objectives across the following general areas:

- Financial performance
- Budgetary/cost control
- Transformation
- Safety
- Risk management

The STI scheme consists of six different levels. The percentage of TGP payable under the six levels for on-target performance is reflected in the table opposite:

Position	Grade	STI on-target % of TGP	STI STRECH % of TGP
CEO	FU	60	150
CFO	FL	50	125
Other executives	FL	40	100
Senior management	EU	33	82.5
Senior management	EL	25	52.6
Middle management	DU – DL2	15	37.5

In the event of early termination of employment due to resignation or dismissal, there is no entitlement to a bonus payment. In the case of retirement, retrenchment and death in service there is a *pro rata* entitlement, paid to the participant at the year-end along with other participants.

The payment of bonuses for each component of the respective awards is determined independently from the other components.

The weightings of the targets are as follows:

Position	Grade	Financial performance	Operational performance	Safety performance	Individual performance
CEO	FU	60%	10%	10%	20%
CFO	FL	50%	20%	10%	20%
Executives	FL	40%	30%	10%	20%
Senior management	EU	30%	40%	10%	20%
Senior management	EL	20%	40%	10%	30%
Middle management	DU – DL2	10%	40%	10%	40%

The Remco and the Board have the discretion to decide on the payment or non-payment of performance incentive bonus awards.

Long-Term Incentives (LTIs – Share Incentive Schemes)

The variable pay component of Hulamin's remuneration packages is structured to include LTIs for executives and senior management that are market-related and linked to company performance.

The primary purpose of the LTIs is to incentivise employees to achieve the long-term objectives of the company, specifically objectives that have multi-year durations and to retain key talent.

Financial performance conditions are included in order to align with shareholder interests.

FINANCIAL CAPITAL

Performance measures drive increases in the value and return on the investments made by Hulamin's shareholders.

Equity-settled Conditional Share Plan ("ECSP")

The company introduced a new LTI for executives and qualifying management in 2018, being the ECSP.

The ECSP provides for three types of conditional shares:

1. **RETENTION SHARES ("RS"),** awarded selectively by the Remco to attract and retain executive and senior management, the vesting thereof is subject to the satisfaction of the employment condition. These are limited to 25% of an employee's TGP.

2. **PERFORMANCE SHARES ("PS"),** awarded only to executives and senior management, the vesting thereof being subject to satisfying performance conditions and the employment condition in line with the group's approach of performance related incentives.

3. **BONUS SHARES ("BS"),** awarded to executives, senior and middle management, the value thereof will be determined as a percentage of the STI based on performance in the previous financial year, and the vesting thereof is subject only to meeting the employment condition.

In line with best practice, regular annual awards of Bonus Shares and Performance Shares are made to ensure long-term shareholder value creation and alignment with acceptable market norms. In addition, the award of Retention Shares is for use in cases where there is a specific need to attract or retain talent.

Annual awards target a market-related level of remuneration whilst considering the overall affordability thereof to the company.

Bonus Shares are not subject to additional performance conditions due to the fact that they have an"entry performance requirement", where the quantum of the Bonus Shares is determined with reference to the actual STI paid to the participant based on the prior financial year's performance.

The extent and nature of performance conditions applicable to the Performance Shares awarded in terms of the ECSP are approved by the Remco annually and included in the award letter to participants.

Performance Share awards made to the participants are subject to the following performance conditions, measured over a three-year performance period:

TOTAL SHAREHOLDER RETURN ("TSR")

- Weighted 1/3
- Measured against the JSE Small Cap Index over the three year vesting period, including dividends declared over the vesting period

RETURN ON CAPITALEMPLOYED ("ROCE")

- Weighted 2/3
- Measured against the accumulated ROCE based on the prior year Board approved Business Plan
- The Board has discretion to adjust the base ROCE for major changes in Capital Employed during the vesting period.

Executives and senior managers may be offered annual LTI awards in terms of the annual allocation levels (as a % of TGP), based on the benchmarks set out below:

Position	Grade	BS as % of TGP	PS as % of TGP	Total ECSP award value as % of TGP
CEO	FU	24	36	60
CFO	FL	20	30	50
Other executives	FL	16	24	40
Senior management	EU	13	20	33
Senior management	EL	10	–	10
Middle management	DU	6	–	6

Dilution limit applicable to the ECSP

The ECSP is implemented within the shareholder approved dilution limit. The maximum aggregate number of shares that may be acquired by participants may not exceed 15 650 000 shares (5% of issued share capital), with the maximum for any one participant being 3 130 000 shares (1% of issued share capital).

The Remco will review the dilution limit usage and the headroom before an LTI award is made to ensure that the neither the company limit nor the individual limit is exceeded.

Manner of settlement of LTI awards

The rules provide for the following methods of settlement:

- Purchase shares off the market;
- Use of treasury shares;
- Issue new shares (within the dilution limit); and/or
- Cash settlement.

The company generally settles the awards through the purchase of shares in the market. The exact method of settlement is determined by the Remco with reference to the dilution limits and the business cycle.

Early termination of employment

Employees may be classified as either a "fault" leaver or a "no-fault" leaver depending on the circumstances whereby their employment is terminated. The provisions below apply to the ESCP as well as the legacy SARs.

NO-FAULT LEAVERS

Employees who terminate employment due to death, retrenchment or retirement (including ill-health), as well as the sale of a subsidiary company

No-fault leavers receive a pro-rated portion of unvested awards (accelerated vesting) to the extent that performance conditions (if any) were met, and in the case of vested SARs, must exercise within 6 months from the date of termination of employment.

FAULT LEAVERS

Employees who terminate employment due to resignation, or dismissal

Fault leavers forfeit all unvested awards as well as vested but unexercised SARs, to the extent that they remain unexercised on the date of termination of employment.

Legacy plans

Following the introduction of the ECSP in 2018, there remain a number of residual awards from Hulamin's legacy plans for the time being – the SARS and the LTIP. No further grants will be made under the legacy plans.

The overall quantum of awards granted under the SARS and/or LTIP was determined by the Remco annually based on the LTI allocation methodology, taking into account relevant market trends, current business issues, and the limits contained in the rules and guidelines of the schemes.

The SARs were offered in the form of performance based conditional awards to eligible executives and senior managers. The performance conditions governing the vesting of the SARs were related to growth in headline earnings per share (relative to targets that were intended to be challenging but achievable), linked, to the company's medium-term business plan, over three-year performance periods.

Under the LTIP, once-off shares were offered to executives and eligible senior employees in order to attract and retain top talent. These LTIP awards did not bear performance conditions, vested over a three-year period based on tenure and were specifically approved by the Remco.

2015 Employee Share Ownership Plan ("2015 ESOP")

The objectives of the 2015 ESOP are primarily:

1. To attract and retain high calibre black employees at every level of the Hulamin business;
2. To create a sense of ownership amongst employees and engender an ownership culture within the greater Hulamin workforce;
3. To distribute a significant portion of the BEE transaction benefits amongst the widest possible group of beneficiaries who are critical to the sustained success of the business.

As Hulamin values its employees as key contributors to the ongoing performance and success of the business, all permanent South African based employees up to middle management (Paterson A band to lower D Band) and all permanent Black South African middle and senior management (Paterson upper D band and above) participate in the 2015 ESOP.

Participation is through two classes of "A" ordinary shares, 15% of which were issued with no strike price ("A1") and 85% are appreciation rights ("A2"). During the vesting period both classes of share participate in dividends declared by the company. The A1 ordinary shares are entitled to a cash dividend, but for the A2 ordinary shares, the dividend is utilised to reduce the strike price of the right at the time of vesting.

Both classes of shares vest after five years. On vesting, the A1 ordinary shares will convert to Hulamin ordinary shares on a one-for-one basis. The appreciation of the A2 ordinary shares will be converted to Hulamin ordinary shares and the balance of the unvested portion of A2 ordinary shares bought back by the company at a nominal value.

EXECUTIVE CONDITIONS OF EMPLOYMENT

With the exception of notice periods, executives are employed under the same employment conditions as other staff.

The notice period for the CEO is no less than three months and the notice period for other executives is two months. Hulamin reserves the right to terminate an executive's employment, without notice, for any cause recognised sufficient by law.

Executive employment contracts do not allow for payment of any additional benefits or balloon payments on termination, other than those of other staff employees.

In the event of early termination there is no automatic entitlement to bonuses or share-based incentives. Executives may, however, receive pro rata payment as allowed in terms of the "no-fault" provisions contained in the early termination clauses of the company's incentive scheme rules.

In terms of executives' employment contracts there is no automatic severance compensation to executives due to a change of control. In such cases, the company's retrenchment policy will apply.

NON-EXECUTIVE DIRECTORS' ("NEDS") FEES

NEDs receive fees for serving on the Board and Board committees and do not have service agreements with the company. NED fees are paid in cash on a fixed retainer basis and an attendance fee per meeting. The Board typically holds five Board meetings per year and there are typically three meetings for each of the sub-committees of the Board throughout a financial year.

Attendance at additional sub-committee meetings is remunerated at the standard remuneration rate for attendance at scheduled meetings of such committees. Attendance fees for *ad hoc* Board committee's meetings are equivalent to those earned by members of the Remco. Disbursements for reasonable travel and subsistence expenses are reimbursed to NEDs in line with the reimbursement policy for employees.

Fees for NEDs are reviewed on an annual basis taking into account the responsibilities borne by NEDs as well as relevant external market data. Fees are recommended by the Remco and are submitted to the Board for approval, and finally recommended to the shareholders for approval at each AGM.

NEDs are to retain their independence and as such do not receive payments linked to the company's performance nor do they participate in the company's incentive schemes.

The proposed fees will be tabled before shareholders for approval by special resolution at the AGM on 25 April 2019:

		Present fees to 31 July 2019		Proposed fees from 1 August 2019		
Role		Annual retainer Rand	Attendance per meeting Rand	Annual retainer Rand	Attendance per meeting Rand	% change
Chairman of the Board		454 680	38 970	**477 410**	**40 920**	5.0
Member of the Board		166 140	14 240	**174 450**	**14 950**	5.0
Chairman of the audit committee		119 570	17 080	**125 550**	**17 930**	5.0
Member of the audit committee		69 480	9 930	**72 950**	**10 430**	5.0
Invitee of the audit committee			9 930		**10 430**	5.0
Chairman of the risk and safety, health and environment committee		82 560	11 790	**86 690**	**12 380**	5.0
Member of the risk and safety, health and environment committee		45 310	6 480	**47 580**	**6 800**	5.0
Invitee of the risk and safety, health and environment committee			6 480		**6 800**	5.0
Chairman of the Remco		82 560	11 790	**86 690**	**12 380**	5.0
Member of the Remco		45 310	6 480	**47 580**	**6 800**	5.0
Invitee of the Remco			6 480		**6 800**	5.0
Chairman of the transformation, social and ethics committee		82 560	11 790	**86 690**	**12 380**	5.0
Member of the transformation, social and ethics committee		45 310	6 480	**47 580**	**6 800**	5.0
Invitee of the transformation, social and ethics committee			6 480		**6 800**	5.0
Chairman of an *ad hoc* Board committee		82 560	11 790	**–**	**12 380**	5.0
Member of an *ad hoc* Board committee		45 310	6 480	**–**	**6 800**	5.0
Invitee of an *ad hoc* Board committee			6 480		**6 800**	5.0
Fees for international NEDs	(€)	30 797	2 638	**31 320**	**2 680**	1.6
Fees for international NEDs	($)	31 163	2 670	**31 720**	**2 720**	1.9

VOTING AND SHAREHOLDER ENGAGEMENT

Voting on the remuneration policy and implementation report

In line with best practice, King IV and the JSE Listings Requirements, the remuneration policy and the implementation report (as contained in the annual integrated report) must be tabled for two separate non-binding advisory votes by shareholders at the AGM.

Shareholder engagement

Hulamin is committed to fair, responsible and transparent remuneration and as such invites shareholders to engage with the company on remuneration-related matters.

In the event that 25% or more of the shareholders vote against either or both the remuneration policy, or the implementation report, the Remco will commence engagement with dissenting shareholders and ascertain their reasons and legitimate concerns underlying their votes. In order to do so, the Remco must extend an invitation to dissenting shareholders in the Stock Exchange News Service ("SENS") announcement together with the results of the AGM, which invitation must include the manner, date and timing of engagement.

Manners of engagement may include:

1. Emails, written correspondence, telephone calls, video conference calls, one-on-one meetings, investor roadshows and other methods of communication to the relevant contact persons at the shareholders, after the AGM concerned (and throughout the financial year), regarding the reasons for the dissenting votes.
2. Responses to shareholder queries explaining, in more detail, the elements of the remuneration policy that caused concern. Where appropriate, the Board may resolve to amend certain elements of the remuneration policy to align the policy to market norms.

PART C: THE IMPLEMENTATION OF THE 2017 REMUNERATION POLICY

This implementation report is subject to an advisory vote by shareholders at the AGM dated 25 April 2019.

TGP

The Remco approved an average salary increase mandate of 6.4% of cash salary for the executive, and 6.9% increase for other monthly paid employees. The weekly paid and artisan employees are subject to wage negotiations with the bargaining council. The Remco is satisfied that the increase levels for executive directors are in line with increase levels throughout the company.

STI OUTCOMES

The table below sets out the STI performance outcomes for 2018:

Performance measure	Actual achievement %
Financial	**71.7**
Operational	**88.9**
Safety	**50.8**
Individual (average)	**96.8**

The table below sets out the STIs the executive directors and prescribed officers were paid for the 2018 financial year, based on the achievement of performance targets, vs their possible STI awards for On-target company performance:

	On-target STI		FY2018 Actual STI	
Participant	Rands	% of TGP	Rands	% of TGP
RG Jacob (CEO)	3 336 679	60	**1 269 239**	**23**
AP Krull (CFO)	2 069 804	50	**933 026**	**23**
MZ Mkhize (executive director)	1 581 654	40	**1 037 249**	**26**
DR Weisz[1] (prescribed officer)	1 297 729	40	**395 764**	**12**
HT Molale[1] (prescribed officer)	1 329 788	40	**375 421**	**11**

[1] *HT Molale was prescribed officer to 28 February in his capacity as MD of Hulamin Extrusions. From 1 March, DR Weisz assumed the role of prescribed officer when taking over the role of MD of Hulamin Extrusions. Full STI bonus amounts are disclosed.*

LTI OUTCOMES

The 2015 SARS was due to vest in 2018, and consequently the performance condition was measured over the three-year performance period. The actual 2017 HEPS of 104 cps did not meet the required HEPS target of 137 cps and consequently the 2015 SARS award lapsed.

The 2015 LTIP PC award performance conditions were measured over the three-year performance period. The actual ROCE of 8.9% exceeded the minimum target performance and resulted in 57.5% vesting of the 50% ROCE performance condition. The TSR ranking of Hulamin over the three-year performance period resulted in 44.4% of the 50% TSR performance condition, resulting in a combined 50.96% vesting of the 2015 LTIP PC.

Both the 2015 DBP and LTIP NPC awards were not subject to performance conditions and vested after the three-year tenure condition was satisfied.

Unvested LTIs

The table below discloses the value of each executive director and prescribed officers' LTIs, whether allocated, settled, or forfeited, as well as the indicative value of awards not yet settled.

	LTI scheme	Date awarded	Vesting date	Opening number	Granted during the year	Grant price Rand	Settled during the year	Lapsed during the year	Closing number	Cash value Rand	Indicative value Rand
EXECUTIVES											
RG Jacob (CEO)	DBP	8 May 15	7 May 18	17 319	–	6.84	17 319			88 327	–
	SARS	24 Apr 14	23 Apr 17	633 100		6.90	–		633 100		–
	SARS	23 Apr 15	22 Apr 18	396 925		8.20	–	396 925			–
	SARS	22 Apr 16	21 Apr 19	744 440		6.30	–		744 440		–
	SARS	26 Apr 17	25 Apr 20	604 005		6.50	–		604 005		–
	LTIP PC	23 Apr 15	22 Apr 18	146 625		8.20	146 625			388 544	–
	LTIP NPC	23 Apr 15	22 Apr 18	48 875		8.20	48 875			254 150	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	321 279	6.22	–	–	321 279		1 410 415
	ECSP – BS	26 Jul 18	25 Jul 21	–	117 649	6.22	–	–	117 649		516 479
AP Krull (CFO)	LTIP NPC	1 May 16	30 Apr 19	145 370		5.75	–		145 370		–
	SARS	26 Apr 17	25 Apr 20	327 554		6.50	–		327 554		–
	ECSP – PS	26 Jul 18	25 Jul 21	–	199 660	6.22	–	–	199 660		876 507
	ECSP – BS	26 Jul 18	25 Jul 21	–	78 538	6.22	–	–	78 538		344 782
MZ Mkhize (Director)	SARS	25 May 11	24 May 14	261 503		6.91		261 503			–
	SARS	25 Feb 13	21 Oct 15	241 172		4.56			241 172		–
	SARS	24 Apr 14	23 Apr 17	201 780		6.90	–		201 780		–
	SARS	23 Apr 15	22 Apr 18	138 555		8.20	–	138 555			–
	SARS	22 Apr 16	21 Apr 19	313 573		6.30	–		313 573		–
	SARS	26 Apr 17	25 Apr 20	304 817		6.50	–		304 817		–
	LTIP PC	23 Apr 15	22 Apr 18	61 030		8.20	61 030			161 725	–
	LTIP NPC	23 Apr 15	22 Apr 18	20 343		8.20	20 343	–		105 784	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	152 571	6.22	–	–	152 571		669 787
	ECSP – BS	26 Jul 18	25 Jul 21	–	57 682	6.22	–	–	57 682		172 347

	LTI scheme	Date awarded	Vesting date	Opening number	Granted during the year	Grant price Rand	Settled during the year	Lapsed during the year	Closing number	Cash value Rand	Indicative value Rand
PRESCRIBED OFFICERS											
HT Molale (MD Hulamin Extrusions to 28 February)	SARS	24 Apr 14	23 Apr 17	150 157		6.90	–		150 157		–
	SARS	23 Apr 15	22 Apr 18	117 625		8.20	–	117 625	–		–
	SARS	22 Apr 16	21 Apr 19	265 954		6.30	–	25 954	265 954	–	
	SARS	26 Apr 17	25 Apr 20	258 285		6.50	–		258 285		–
	LTIP PC	23 Apr 15	22 Apr 18	51 811		8.20	51 811			133 335	–
	LTIP NPC	23 Apr 15	22 Apr 18	17 270		8.20	17 270			89 804	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	128 275	6.22	–	–	128 275		563 127
	ECSP – BS	26 Jul 18	25 Jul 21	–	52 006	6.22	–	–	52 006		228 306
	ECSP – RS	26 Jul 18	25 Jul 21	–	133 620	6.22	–	–	133 620		586 592
DR Weisz (MD Hulamin Extrusions from 1 March)	SARS	24 Apr 14	23 Apr 17	170 607		6.90			170 607		–
	SARS	23 Apr 15	22 Apr 18	117 620		8.20	–	117 620	–		–
	SARS	22 Apr 16	21 Apr 19	265 944		6.30	–		265 944		–
	SARS	26 Apr 17	25 Apr 20	258 032		6.50	–		258 032		–
	LTIP PC	23 Apr 15	22 Apr 18	51 811		8.20	51 809			137 290	–
	LTIP NPC	23 Apr 15	22 Apr 18	17 270		8.20	17 270			89 804	–
	ECSP – PS	26 Jul 18	25 Jul 21	–	125 183	6.22	–	–	125 183		549 553
	ECSP – BS	26 Jul 18	25 Jul 21	–	39 259	6.22	–	–	39 259		172 347

EXECUTIVE REMUNERATION

The table below sets out the single figure remuneration (i.e. TGP (Basic salary and company contributions), STI and LTI) received by executive directors and prescribed officers in 2018 and 2017, respectively.

	Cash salary Rands	Company contributions Rands	STI Rands	LTI Rands	Total Rands
2018					
RG Jacob (executive)	**4 821 624**	**739 508**	**1 269 239**	**642 694**	**7 473 065**
AP Krull (executive)	**3 557 424**	**582 184**	**933 026**	**–**	**5 072 634**
MZ Mkhize (executive)	**3 310 776**	**643 359**	**1 037 249**	**267 509**	**5 258 893**
DR Weisz (prescribed officer)	**2 771 232**	**473 091**	**395 764**	**227 094**	**3 868 181**
HT Molale (prescribed officer)	**2 787 144**	**537 325**	**375 421**	**227 100**	**3 926 990**
Total	**17 248 200**	**2 975 468**	**4 010 699**	**1 364 397**	**25 599 763**
2017					
RG Jacob (executive)	4 527 744	684 327	1 939 516	1 609 507	8 806 094
AP Krull (executive)	3 333 144	545 132	1 281 770	–	5 160 046
MZ Mkhize (executive)	3 102 228	602 334	943 774	598 066	5 246 402
HT Molale (prescribed officer)	2 629 668	505 292	782 612	445 059	4 362 631
Total	13 592 784	2 337 085	4 947 672	2 652 632	23 575 173

NED FEES

The table below sets out the fees paid to NEDs in 2018:

Name	Retainer fees 2018 Rands	Attendance fees 2018 Rands	Total fees 2018 Rands
ME Mkwanazi	**198 380**	**108 520**	**306 900**
TP Leeuw	**488 378**	**195 590**	**683 968**
VN Khumalo	**262 615**	**144 160**	**406 775**
AT Nzimande	**100 215**	**25 780**	**125 995**
NNA Matyumza	**329 983**	**110 280**	**440 263**
SP Ngwenya	**205 022**	**74 240**	**279 262**
PH Staude	**262 615**	**89 990**	**352 605**
GHM Watson	**588 799**	**248 692**	**837 492**
N Maharajh	**297 972**	**101 370**	**399 342**
CA Boles	**250 437**	**118 840**	**369 277**
B Mehlomakulu	**209 387**	**88 080**	**297 467**
B Larson (note 5)	**442 126**	**189 827**	**631 953**
Total	**3 635 903**	**1 495 369**	**5 131 300**

APPROVAL

This report was approved by the Remco on 14 February 2019 and the Board on 28 February 2019. The Remco as well as the Board are satisfied that there were no material deviations from the 2017 remuneration policy during the 2018 financial year.

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Financial statements

Earnings per share decreased 355% to negative 242 cents after R1,45 billion impairment charge.

Normalised earnings per share has increased on strong operational performance (20% increase on prior year)

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

The directors are required by the Companies Act, 2008 of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Hulamin Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards, the Companies Act, No 71 of 2008, as amended, and the JSE Listings Requirements. The external auditors are engaged to express an independent opinion on the annual financial statements.

In preparing the annual financial statements, the company and the group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and prepared the annual financial statements in accordance with International Financial Reporting Standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the company and the group at 31 December 2018, and the results of its operations and cash flows for the year then ended. The directors have considered the group’s past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the group’s current financial position, are satisfied that the company and group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss.

Based on the results of a formal documented review of Hulamin’s system of internal control 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 has come to the attention of the directors which indicates that, in all material aspects, Hulamin’s system of internal control 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 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 of Directors and 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 104 to 107.

The annual financial statements of the group and company set out on pages 108 to 187, which have been prepared on the going-concern basis, were approved by the Board of Directors on 19 March 2019 and were signed on its behalf by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
19 March 2019

Certificate by Company Secretary

I certify that, to the best of my knowledge and belief that the requirements as stated in terms of section 88(2) of the Companies Act, No 71 of 2008, as amended, have been met and that all returns, as required of a public company in terms of the aforementioned Act, have been submitted to the Companies and Intellectual Property Commission and that such returns are true, correct and up to date.

Willem Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
19 March 2019

Report of the audit committee

Introduction

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, for the financial year ended 31 December 2018.

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.

Membership and 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 2018 annual general meeting of the company in terms of section 94(2) of the Companies Act. For the year under review, the Audit Committee comprised:

- N Maharajh (Appointed Chairman with effect from 1 May 2018)
- NNA Matyumza
- CA Boles (Appointed with effect from 1 May 2018)
- TP Leeuw (Resigned with effect from 30 April 2018)

Mr TP Leeuw was appointed Chairman of the Board of Directors with effect from 1 May 2018 and consequently resigned as head of the Audit Committee.

The Chief Financial Officer, Head of Internal Audit and representatives from the external and internal auditors attend meetings by invitation. Other members of the Board and management team attend as required. The committee meets separately with the external and internal auditors at least once a year without management present, to ensure that all relevant matters have been identified and discussed without undue influence.

The Audit Committee met three times during the year.

Full details of membership of the committee and attendance at committee meetings during the financial year are also set out in the Corporate Governance report available on the Hulamin website at www.hulamin.co.za.

Role and responsibilities

The role and responsibilities of the committee include statutory duties per the Companies Act, and further responsibilities assigned to it by the Board. The committee executed its duties in terms of the requirements of King IV. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk and information technology risks as it relates to financial reporting.

The key responsibilities of the committee are as follows:

- Ensuring the integrity of the financial reporting process, including sound systems of internal control and financial risk management;
- Review of integrated annual reports, annual financial statements, interim reports and other financial announcements, including the accounting principles and policies adopted therein and compliance with JSE regulations;
- Monitoring the performance and effectiveness of the independent external auditors and evaluating the qualifications, expertise, resources, fees, scope of work and independence of the external auditors prior to recommending their appointment to the Board and shareholders;
- Approving the internal audit workplan and overseeing the conduct of the internal audit and the implementation of internal control enhancements;
- Approving any non-audit services provided by the external auditors;
- Considering the appropriateness of the expertise, resources and experience of the finance function and of the Chief Financial Officer;
- Approving the appointment of an external assurance provider in respect of the sustainability report;
- Performing statutory duties in terms of the Companies Act, as well as to report to the shareholders in respect of the financial year, including those matters in terms of section 94(7)(f) of the Companies Act;
- Ensuring that the combined assurance model introduced by the King IV Code is applied to provide a coordinated approach to assurance activities;
- Providing oversight of the risk management through monitoring the implementation of the group risk policy and group risk plan as approved by the Board;
- Oversee the governance of technology and information by setting the direction on how technology and information should be approached and addressed, and recommend to the Board the policy that gives effect to the set direction of technology and information; and
- Review and recommend to the Board for authorisation the group's treasury policy, authority limits and funding, investment and treasury risk management strategies.

Performance of duties

The Audit Committee is satisfied that, during the year under review, it complied with its legal, regulatory and other responsibilities, conducted its affairs in compliance with Board-approved terms of reference, and discharged its responsibilities contained therein. The committee is therefore pleased to report that it discharged the following responsibilities for the period under review:

External auditor appointment and independence

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The committee ensured that the appointment of the auditor complied with the Companies Act, and any other legislation relating to the appointment of auditors.

In respect of the 2018 financial year, the committee was satisfied with the quality and effectiveness of the audit process of Ernst & Young Inc. and that Ernst & Young Inc. and the designated audit partner, Mr S Sithebe, were accredited as such on the JSE list of auditors and their advisors. As required by the JSE Listings Requirements, the company received a summary from Ernst & Young of its latest IRBA inspection report, responses thereto and any remedial actions in respect thereof, including all legal and disciplinary procedures concluded within the last seven years as well as the quality control monitoring system applied by Ernst & Young.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2018 year as disclosed in note 2.3.3 of the financial statements of the group and note 2.2 of the financial statements of the company.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. The committee considers the approval of non-audit services where the approval will add value to the external audit process or the anticipated engagement is considered to be superior to other service providers. The committee approved all engagements for the provision of non-audit services by the external auditor, in terms of the established policy for non-audit services. In terms of the policy the cumulative fee for non-audit services should not exceed 25% of the annual audit fee without the specific approval of the Audit Committee.

Internal audit

The committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties in terms of the established internal audit charter. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions.

The internal audit function reports centrally and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the group's operations. The Head of Internal Audit, Ms L Ncoliwe, is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and has direct access to the committee. The committee is also responsible for the performance assessment of the Head of Internal Audit and the internal audit function.

During the year the committee satisfied itself that the Head of Internal Audit, Ms L Ncoliwe, is competent and possessed the appropriate expertise and experience to act in this capacity, and believes that the group's internal audit function met its objectives and that the adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities.

Internal financial controls

The committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls.

Based on the results of the formal documented review of the company's system of internal financial controls by the internal audit function, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, including a review of significant issues raised by the internal audit processes and the adequacy of corrective action in response thereto, nothing has come to the attention of the committee which indicates that, in all material aspects, Hulamin's system of internal financial controls was not operating effectively during the year under review.

This written assessment by internal audit formed the basis for the committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Board's opinion on the effectiveness of the system of internal controls and risk management is included on page 98. The committee supports the opinion of the Board in this regard.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Risk and SHE Committee. The chairman of the Audit Committee attended meetings of the Risk and SHE Committee as a member thereof for the year under review to ensure that information relevant to these respective committees was transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, and fraud and information technology risks as they relate to financial reporting.

An internal audit charter is in place which defines the function, responsibility and authority of the group's internal audit activity. The internal audit function's 2018 annual audit plan was approved by the committee.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the company's operations. The head of the internal audit function, who has direct access to the committee, is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis.

During the year under review, the committee met with the internal and external auditors without management being present.

Evaluation of the expertise and experience of the financial director and finance function

The committee has satisfied itself during the year under review that the Chief Financial Officer has appropriate expertise and experience.

The committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the group's finance function. The annual financial statements were compiled under the supervision of the Chief Financial Officer, Anton Krull, CA(SA).

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the company and the group for the year ended 31 December 2018, and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters. There were no such complaints during the year under review.

The committee has considered the events and conditions which lead to the restatement of the previously reported financial results. The committee has satisfied itself that management has put in place appropriate measures to prevent future misstatements of this nature and has developed an appropriate plan to implement IFRS 9, 'Financial Instruments' which provides greater scope for aligning the accounting treatment of derivative instruments designated as hedging instruments based on the underlying economic hedging strategy applied.

Integrated reporting, sustainability and combined assurance

The committee fulfils an oversight role regarding the company's integrated report and the reporting process.

The committee considered the company's sustainability information as disclosed in the integrated report and separate sustainability report of the group for the year ending 31 December 2018 and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee discussed the sustainability information with management and has considered the conclusion of the external assurance provider. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

The committee recommended to the Board the appointment of KPMG Services (Pty) Ltd to perform an assurance engagement on key performance indicators included in the company's 2018 sustainability reporting. The committee determined the scope of this assurance engagement and satisfied itself as to the independence and competency of the external assurance provider.

The committee ensures the combined assurance model is appropriate to address the significant risks facing the business, and is satisfied that the company has optimised the assurance coverage obtained from management, and internal and external assurance providers for the year under review.

The committee recommended the 2018 integrated report for approval by the Board of Directors.

Technology and information

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 has reviewed and recommended for approval to the Board for authorisation the strategy that gives effect to its set direction on the employment of technology and information.

Treasury

The committee has reviewed and recommended to the Board for approval the group's treasury strategy, policy and authority limits. The committee has reviewed the risk management activities report as provided by the Treasury Committee and has found the risk management activities to be sufficient to mitigate risk.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and the group as at 31 December 2018 and has made a recommendation to the Board in this respect. The Board's statement on the going-concern status of the company and the group, as supported by the committee, is detailed on page 98.

On behalf of the Audit Committee

Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
15 March 2019

Directors' statutory report

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2018.

Nature of business

Hulamin Limited is the holding company of two main operating segments, Hulamin Rolled Products and Hulamin Extrusions. Their activities are dealt with separately in note 2.1 of the group financial statements.

Financial results

The net (loss)/profit attributable to shareholders of the group for the year ended 31 December 2018 amounted to (R773 411 000) (2017 restated: R303 763 000). This translates into headline earnings per share of 91 cents (2017 restated: 95 cents) based on the weighted average number of shares in issue during the year.

The annual financial statements presented on pages 107 to 187 set out fully the financial position, results of operations and cash flows for the year.

Dividends

A final dividend of 18 cents per share was declared for the year ended 31 December 2018 (2017: 15 cents per share).

Share capital

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

Details of the authorised, issued and unissued ordinary shares 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 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 of the group financial statements.

Mr ME Mkwanazi resigned from the Board of Directors with effect from 30 April 2018.

Mr AT Nzimande resigned from the Board of Directors with effect from 30 June 2018.

Directors' and prescribed officers' shareholdings

At 31 December 2018, the present directors and prescribed officer of the company beneficially held a total of 1 167 359 ordinary no par value shares, equivalent to 0.37%, in the company (2017: 1 066 445 ordinary no par value shares, equivalent to 0.33%, were held by directors). Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officers' shareholdings and interests in the share incentive schemes are set out in note 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officers' shareholdings between 31 December 2018 and 28 February 2019.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2018.

Auditors

As a result of the proposed implementation of an audit firm rotation process and taking into account that PricewaterhouseCoopers Inc. had been the group's external auditor for the last 68 years, the group initiated a process to change the external auditor for the financial year ending 31 December 2018. Ernst & Young Inc. were the auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 25 April 2019, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2019 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 Mr W Fitchat. His business and postal address appears in the corporate information section of this integrated annual report.

Post balance sheet events

The directors are not aware of any other matters or circumstances arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the company or group.

Approval

The annual financial statements of the group and company set out on pages 108 to 187 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
19 March 2019

Independent auditor's report

to the Shareholders of Hulamin Limited

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of Hulamin Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 187, which comprise the separate and consolidated statements of financial position as at 31 December 2018, and the separate and consolidated statements of profit or loss and other comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company and Group as at 31 December 2018, and its separate and consolidated financial performance and separate and consolidated 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 Separate and Consolidated Financial Statements* section of our report. We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA. 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 separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated 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 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 financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the rolled products cash generating unit (CGU)	
IAS 36 Impairment of Assets require an impairment test of non-financial assets to be performed when there are indicators that these may be impaired. The Group's market capitalisation was below its net asset value as at 31 December 2018, indicating that the carrying value of the Group's assets may be impaired. Management performed an impairment test which includes the following key assumptions. These assumptions affect the impairment test and requires the exercise of significant management judgement: • Determining of cash generating units (CGU). • Future sales volumes. • Rolling margins, considering current and anticipated changes in market conditions and product mix. • Forecasted currency exchange rates. • The discount rate applied by management was based on the capital asset pricing model which includes inputs that are subjective. We considered the impairment test of to be a matter of most significance to our audit due to the following: • Management's assessment involves significant judgement about future results of the business and the discount rate applied to cash flow forecasts; • Given the magnitude of the related property, plant and equipment and intangible asset balances, the recognition of an impairment charge could have a significant impact on the financial statements; and • The result of the cash flow forecast is sensitive to small changes in certain assumptions mentioned above. Management's disclosure on impairment consideration are detailed in Note 5.3 of the Annual Financial Statements.	We considered management's assessment of the existence of an impairment indicator. We assessed the basis adopted by management in the preparation of the discounted cash flow valuation model against the applicable requirements of *IAS 36 Impairment of Assets.* We tested the mathematical accuracy of the model. We have assessed the determination of the cash generating units (CGU) We assessed various inputs in the cash flow forecasts, interrogated the integrity of supporting calculations and considered the reasonableness of the following key inputs: volume forecasts, currency rates, rolling margins and cost saving initiatives, with reference to the board approved business plan, market data and past performance of the CGU. Market data that was considered included forecast exchange rates, aluminium prices, geographic premiums and inflation rates. To assess the adequacy of management's forecasts we considered the level of precision with which management had historically prepared their forecasts by comparing them to actual performance. With the support of our valuation experts we considered the appropriateness of the discount rate as well as the methodology used by management in forecasting the ZAR/USD exchange rates beyond a two-year period. Our consideration of the discount rate included recalculating the inputs with reference to independent market data. This included risk-free rates, betas and market risk premiums. We obtained and evaluated management's sensitivity analyses, to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result further in impairment. We obtained and evaluated management's sensitivity analyses, to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result further in impairment. We have assessed the adequacy of the accounting for the resulting impairment of the Rolled Products and Extrusions cash generating units as well as the disclosures made in the Annual Financial Statements in accordance with *IAS 36 Impairment of Impairment of Assets.*

Key audit matter	How our audit addressed the key audit matter
Cash flow hedging	
Hulamin Limited is a semi-fabricator of aluminium products and are therefore exposed to the fluctuations in the aluminium price from the date aluminium is purchased as a raw material to the date that is converted into a finished product and sold. Hulamin Limited hedges this risk through aluminium futures. Aluminium is traded in dollars which exposes Hulamin Limited to foreign currency risk. This risk is hedged through Foreign Exchange Contracts. These hedges are accounted for as cash flow hedges and are recognised and measured in terms of *IAS 39 Financial Instruments: Recognition and Measurement.* We considered the measurement of the hedge reserve and the effectiveness of the hedges to be of most significance to our audit due to the following: • Management's forecasting of the future sale which is the hedge item. • Whether Hulamin Limited's hedging principles are in terms *IAS 39 Financial Instruments: Recognition and Measurement* which requires formal designation of the hedge instrument and documentation of the effectiveness test. • Whether Hulamin Limited has correctly assessed if the hedge is effective or ineffective in terms of the criteria of *IAS 39 Financial Instruments: Recognition and Measurement.* Management's disclosure on hedging considerations are detailed in Note 7.1 (2) of the Annual Financial Statements.	We have assessed Hulamin Limited's hedging principles in terms of compliance with *IAS 39 Financial Instruments: Recognition and Measurement.* We have recalculated the fair value of the open hedging instruments as at 31 December 2018. We have tested the management's ability to forecast future sales through performing a reasonability test between forecasted and actual sales. We have, together with our valuation experts, assessed management's hedge effectiveness calculation in terms of *IAS 39 Financial Instruments: Recognition and Measurement.* We reviewed the calculation for the ineffective hedges and the recording of these amounts in the financial statements. We inspected the apportionment of the changes in the fair value of the open financial instruments as at 31 December 2018 to the statement of profit or loss and the hedge reserve and independently assessed the compliance of the apportionment in terms of *IAS 39 Financial Instruments: Recognition and Measurement.* We have assessed the adequacy of disclosures made in the Annual Financial Statements, including the adjustments reflected in the prior period error disclosure to account for the outcome of the hedge effectiveness test.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Statutory Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated 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 separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 separate and consolidated financial statements

The directors are responsible for the preparation and fair presentation of the separate and consolidated 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 the separate consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the group'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 Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated 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 Company's and Group'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 company's and group'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 separate and consolidated 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 Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and Group audit. We remain solely responsible for our audit opinion.

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, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate and consolidated 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.

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 one year.

Ernst & Young Inc.

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

19 March 2019

1 Pencarrrow Crescent,
La Lucia Ridge Office Estate
Durban
4000

Group statement of financial position

as at 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000	Restated* 1 January 2017 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5.1(b)	**1 901 794**	3 324 593	3 263 500
Intangible assets	5.2(b)	**43 136**	64 144	69 086
Retirement benefit asset	8.2(c)	**133 860**	127 054	117 397
Deferred tax asset	9.2(a)	**17 060**	21 152	25 463
		2 095 850	3 536 943	3 475 446
Current assets				
Inventories	4.2	**2 262 547**	2 150 061	1 825 221
Trade and other receivables	4.3	**1 530 279**	1 237 096	1 505 632
Derivative financial assets	7.1(c)	**71 281**	143 767	64 445
Cash and cash equivalents	4.1	**525 981**	111 472	75 627
Income tax asset		**18 992**	39 331	2 603
		4 409 080	3 681 727	3 473 528
Non-current assets classified as held for sale	6.2	**6 529**	6 529	–
Total assets		**6 511 459**	7 225 199	6 948 974
EQUITY				
Stated capital and consolidated shares	3.4	**1 817 580**	1 817 580	1 817 580
BEE reserve		**51 776**	51 776	51 776
Employee share-based payment reserve		**57 914**	71 201	55 852
Hedging reserve		**(6 280)**	39 999	15 506
Retained earnings		**1 881 631**	2 668 121	2 405 974
Total equity		**3 802 621**	4 648 677	4 346 688
LIABILITIES				
Non-current liabilities				
Non-current borrowings	3.1	**54 000**	108 000	162 000
Deferred tax liability	9.2(b)	**221 060**	578 568	516 533
Retirement benefit obligations	8.2(d)(e)	**251 738**	266 767	258 879
		526 798	953 335	937 412
Current liabilities				
Trade and other payables	4.4	**1 380 209**	1 258 100	1 133 547
Current borrowings	3.2	**765 783**	320 699	490 444
Derivative financial liabilities	7.1(c)	**34 011**	43 267	15 168
Income tax liability		**2 037**	1 121	25 715
		2 182 040	1 623 187	1 664 874
Total liabilities		**2 708 838**	2 576 522	2 602 286
Total equity and liabilities		**6 511 459**	7 225 199	6 948 974

* *See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

Group statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
Revenue from contracts with customers	2.1(b)	**11 533 818**	10 303 531
Cost of sales of goods	2.3	**(10 583 507)**	(9 115 128)
Cost of providing services*	2.3	**(82 422)**	(56 432)
Gross profit		**867 889**	1 131 971
Selling, marketing and distribution expenses	2.3	**(448 237)**	(396 442)
Administrative and other expenses	2.3	**(194 806)**	(148 152)
Net impairment losses on financial assets**	4.3(c)	**(671)**	(501)
Impairment of property, plant and equipment and intangible assets	5.3	**(1 450 814)**	–
Gains and losses on financial instruments related to trading activities	2.4	**276 963**	(111 131)
Other gains and losses	2.5	**(231)**	22 681
Operating (loss)/profit		**(949 907)**	498 426
Interest income	9.1	**3 887**	3 079
Interest expense	9.1	**(77 588)**	(80 704)
(Loss)/profit before tax		**(1 023 608)**	420 801
Taxation	9.3	**250 197**	(117 038)
Net (loss)/profit for the year attributable to equity holders of the company		**(773 411)**	303 763
Earnings per share (cents)			
Basic	2.2	**(242)**	95
Diluted	2.2	**(236)**	92

* *See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

** *New disclosure requirements by International Accounting Standard 1 Presentation of Financial Statements require the separate disclosure on the face of the statement of profit or loss of the impairment losses on financial assets, including reversals of impairment losses.*

Group statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
Net (loss)/profit for the year attributable to equity holders of the company		**(773 411)**	303 763
Other comprehensive (loss)/income for the year		**(22 825)**	32 104
Items that may be reclassified subsequently to profit or loss:		**(46 279)**	24 493
Cash flow hedges transferred to the statement of profit or loss	7.1(c)	**85 776**	23 965
Cash flow hedges (reversed)/created	7.1(c)	**(150 053)**	10 053
Income tax effect	9.2	**17 998**	(9 525)
Items that will not be reclassified to profit or loss:		**23 454**	7 611
Remeasurements of retirement benefit obligation	8.2	**33 395**	8 782
Remeasurements of retirement benefit asset	8.2	**(2 448)**	1 753
Income tax effect	9.2	**(7 493)**	(2 924)
Total comprehensive (loss)/income for the year attributable to equity holders of the company		**(796 236)**	335 867

* *See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

Group statement of changes in equity

for the year ended 31 December 2018

	Note	Stated capital and consolidated shares A R'000	Hedging reserve B R'000	Employee share-based payment reserve C R'000	BEE reserve D R'000	Retained earnings E R'000	Total equity R'000
Balance at 1 January 2017		1 817 580	15 506	55 852	51 776	2 405 974	**4 346 688**
Net profit for the year***		–	–	–	–	303 763	**303 763**
Other comprehensive income net of tax:							
– cash flow hedges***		–	24 493	–	–	–	**24 493**
– retirement benefit assets and obligations		–	–	–	–	7 611	**7 611**
Equity settled share-based payment schemes:							
Value of employee services (note 2.3.1)		–	–	32 991	–	–	**32 991**
Settlement and forfeiture of employee share incentives		–	–	(17 642)	–	2 489	**(15 153)**
Tax on employee share incentives		–	–	–	–	(3 209)	**(3 209)**
Dividend paid*		–	–	–	–	(48 507)	**(48 507)**
Restated balance at 31 December 2017* **		1 817 580	39 999	71 201	51 776	2 668 121	**4 648 677**
Implementation of new accounting standard**	9.7	–	–	–	–	147	**147**
Balance at 1 January 2018		1 817 580	39 999	71 201	51 776	2 668 268	**4 648 824**
Net loss for the year		–	–	–	–	(773 411)	**(773 411)**
Other comprehensive (loss)/income net of tax:							
– cash flow hedges		–	(46 279)	–	–	–	**(46 279)**
– retirement benefit assets and obligations		–	–	–	–	23 454	**23 454**
Equity settled share-based payment schemes:							
Value of employee services (note 2.3.1)		–	–	10 008	–	–	**10 008**
Settlement and forfeiture of employee share incentives		–	–	(23 295)	–	14 065	**(9 230)**
Tax on employee share incentives		–	–	–	–	(2 243)	**(2 243)**
Dividend paid*		–	–	–	–	(48 502)	**(48 502)**
Balance at 31 December 2018		**1 817 580**	**(6 280)**	**57 914**	**51 776**	**1 881 631**	**3 802 621**

NOTES

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidated 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: Hedging reserve

The hedging reserve represents the cash flow hedge 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. Further analysis of the reserve is presented in note 7.1(c).

C: 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 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 is provided in note 8.1.

D: 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 is provided in note 8.1.

E: Retained earnings

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

* *Dividends paid include dividends paid by Hulamin Limited to external shareholders and dividends paid and declared by the 2015 Hulamin Employee Share Ownership Scheme.*

** *Financial information has been adjusted in accordance with note 9.8 due to the implementation of IFRS 9, "Financial instruments", excluding the hedging component.*

*** *See note 9.7 for details about restatements resulting from the correction of prior period error.*

Group statement of cash flow

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**485 791**	783 947
Interest paid		**(84 378)**	(102 192)
Interest received		**3 887**	3 079
Income tax paid		**(73 682)**	(127 668)
Net cash inflow from operating activities		**331 618**	557 166
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	**(210 538)**	(256 427)
Additions to intangible assets	5.2	**(31 206)**	(4 607)
Net cash outflow from investing activities		**(241 744)**	(261 034)
Cash flow before financing activities		**89 874**	296 132
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings	3.2	**(54 000)**	(54 000)
Net proceeds from/(repayment of) current borrowings**	3.2	**445 084**	(169 745)
Settlement of employee share incentives schemes	SOCIE	**(9 230)**	(15 153)
Dividends paid	3.5	**(48 502)**	(48 507)
Net cash outflow from financing activities		**333 352**	(287 405)
Net increase in cash and cash equivalents		**423 226**	8 727
Cash and cash equivalents at beginning of year	4.1	**111 472**	75 627
Effects of exchange rate changes on cash and cash equivalents	7.1(c)(iv)	**(8 717)**	27 118
Cash and cash equivalents at end of year	4.1	**525 981**	111 472
A: CASH GENERATED FROM OPERATIONS			
(Loss)/profit before tax		**(1 023 608)**	420 801
Net interest cost		**73 701**	77 625
Operating (loss)/profit		**(949 907)**	498 426
Adjusted for non-cash flow items:			
Depreciation	5.1	**222 271**	200 598
Amortisation of intangible assets	5.2	**19 003**	15 776
Impairment of property, plant and equipment and intangible assets	5.3	**1 450 814**	–
Loss on disposal of property, plant and equipment	2.5	**231**	10 188
Net movement in retirement benefit asset and obligations	8.2	**9 112**	8 798
Value of employee services received under share schemes	2.3.1	**10 008**	32 991
Fair value changes on derivatives		**(1 048)**	(17 204)
Foreign exchange losses/(gains) on cash and cash equivalents	7.1(c)(iv)	**8 717**	(27 118)
Gain on impairment reversal of investment in associate		**–**	(6 529)
Currency exchange translation on foreign debtors and creditors	7.1(c)(iv)	**(95 990)**	29 293
Other non-cash items		**149**	(229)
Cash generated before working capital changes		**673 360**	744 990
Changes in working capital	B	**(187 569)**	38 957
Cash generated from operations		**485 791**	783 947
B: CHANGES IN WORKING CAPITAL			
Increase in inventories		**(112 486)**	(324 840)
(Increase)/decrease in trade and other receivables		**(189 137)**	229 980
Increase in trade and other payables		**114 054**	133 817
		(187 569)	38 957

* *See note 9.7 for details about restatements resulting from a prior period error and note 9.8 for details about restatements resulting from adoption of new accounting standards.*

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

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Notes to the group financial statements
for the year ended 31 December 2018

1. GENERAL

1.1 BASIS OF PREPARATION

The group 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(a) to the financial statements and the correction of a prior period error relating to certain commodity derivative instruments not qualifying for hedge accounting, see note 9.7 for further information. The impact of the adoption of IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" is illustrated in note 9.7 of the consolidated financial statements. The adoption of the amendments to IFRS 2, "Share-based payments" did not have an impact on the prior year presented financial results.

The group 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 and retirement benefit obligations).

The financial statements are prepared on the going concern basis using accrual accounting.

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.

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.

Changes in accounting estimates resulting from new information or new developments are recognised in the statement of profit or loss in the period they occur.

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
IFRS 9, "Financial Instruments"	1 January 2018	The introduction of IFRS 9, "Financial Instruments" saw changes to classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The group has had no changes in the classification and measurement of its financial instruments, refer note 9.8 for further information, but has increased its loss allowance related to trade receivables under the expected loss model. Additional information on the manner in which the group calculates the loss allowance is provided in note 4.3(c). The group has elected, through an accounting policy choice, to continue to apply the hedging requirements under IAS 39. IFRS 9, "Financial Instruments" was generally adopted without restating comparative information in accordance with the transitional provisions. Further information is provided in note 9.8.
IFRS 7, "Financial Instruments: Dislosure"	1 January 2018	With the introduction of IFRS 9, "Financial Instruments" the disclosure requirements relating to financial instruments and hedging has been updated. The amendments in IFRS 7, "Financial Instruments: Disclosure" includes: – Transition disclosure as illustrated in note 9.8; – Detailed qualitative information about the expected credit loss ("ECL") calculations such as the assumptions used and the inputs are set out in note 4.3(c); and – Additional and more detailed disclosure for hedge accounting as set out in note 7.

Pronouncement	Effective date	Impact
IFRS 15, "Revenue from contracts with customers"	1 January 2018	The new five-step model for the recognition of revenue requires that an entity identifies performance obligations implicit in each sales contract. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the good or service transfers to a customer. The group has determined that for certain export sales terms the group has two performance obligations, the sale of goods and the provision of transportation services. The group does not charge a margin on transportation services and therefore no impact on previously reported earnings before interest and tax is noted. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. Further information on the transition is provided in note 9.8 whilst disaggregated revenue disclosure is presented in note 2.1(c) of the financial statements.
IFRS 2, "Share-Based Payments"	1 January 2018	Clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The application of the revised standard has had no impact on the results of the group.

(b) New and revised IFRS in issue but not yet effective which are applicable to the group

Pronouncement	Effective date	Impact
IFRS 16, "Leases"	1 January 2019	IFRS 16, "Leases" now requires lessees to recognise a lease liability reflecting future lease payments and a "right-of-use asset" for all lease contracts. Assessment : The group has reviewed existing lease contracts and service arrangements to determine right-of-use assets. On transition the group will apply the modified retrospective approach and will not account for leases and service arrangements which come to an end within 12-months from the effective date in accordance with IFRS 16,'Leases'. In determining the impact of existing leases and service arrangements, not including those contracts to be renegotiated during 2019, the group expects property, plant and equipment to increase by an estimated 1% and the inclusion of the lease liability to increase non-current borrowings by 10% and current borrowings by an estimated 6%. Earnings before interest, tax, depreciation and amortisation are expected to increase by an estimated 1% as the previously recognised lease expense is replaced by depreciation on the recognised right-of-use asset and interest cost on the lease liability. Depreciation and interest costs are expected to both increase by an estimated 6%. Profit before tax is expected to decrease by an estimated 2%.
Amendments to IFRS 9, Financial instruments on prepayment features with negative compensation	1 January 2019	The amendment allows instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement where they fail the "solely a payment of principle and interest" condition. Assessment: The group does not currently hold instruments with such features, nor intends to hold such instruments in the next reporting period, therefore management does not anticipate that the amendments will impact the financial results or disclosures of the group when effective.

Notes to the group financial statements continued

for the year ended 31 December 2018

1. GENERAL CONTINUED

1.2 NEW ACCOUNTING STANDARDS CONTINUED

(b) New and revised IFRS in issue but not yet effective which are applicable to the group continued

Pronouncement	Effective date	Impact
Amendments to IAS 19, "Employee benefits", Plan amendment, curtailment or settlement	1 January 2019	If a plan amendment, curtailment or settlement occurs , it is now mandatory that the current service costs and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Assessment: The group does not currently, nor in the next reporting period, foresee that it would implement a plan amendment, curtailment or settlement. As such it is not expected that the amendments to this standard will have an immediate impact on the financial results or disclosures reported by the group.
Annual improvements 2015 – 2017 cycle	1 January 2019	The annual improvements cycle for the period 2015 – 2017 makes the following amendments: – IFRS 3, "Business Combinations" and IFRS 11, "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation it remeasures the previously held interest and the amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation the entity does not remeasure the previously held interest. – IAS 12, "Income Tax". The amendments provide clarity that the requirements of paragraph 52B apply to all income tax consequences of dividends. – IAS 23, "Borrowing Costs". The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity generally borrows when calculating the capitalisation rate on general borrowings. Assessment: From the above amendments the only likely amendment which will have an impact on the group is the amendment relating to IAS 23, "Borrowing costs" which may in future result in higher borrowing costs capitalised
IFRIC 23, "Uncertainty over income tax"	1 January 2019	The IFRIC clarifies the accounting treatment in determining taxable profits, tax bases, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. Assessment: The new IFRIC is not expected to immediately have an impact on the financial results of the group.

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

(a) 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 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.

(b) 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 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.

1.4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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:

(i) 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 lives and residual values are assessed annually taking into account technological innovation, product life cycles, maintenance programmes and projected disposal values. During the current financial year an independent valuator performed an independent assessment of the residual value and useful lives of the group's most critical assets. Further information on the reassessment is provided in note 5.1.

(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, healthcare costs, inflation rates and salary increments. Management experts are used to assist with valuations of post-employment benefit obligations. Refer to 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 5.3 of the group financial statements. Forward-looking financial information is based on board-approved business plans.

(v) Investment in Isizinda Aluminium (Pty) Ltd (Isizinda)

The group holds a 38.7% (2017: 38.7%) interest in Isizinda. Management have assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10. These requirements were assessed in conjunction with the substance of various contractual terms including those relating to the funding arrangements and operating activities of Isizinda. Hulamin manages and directs the relevant activities of Isizinda through its Slab Supply Agreement with Isizinda and is exposed to variable returns in the form of dividends and output, which is controlled by Hulamin. The investment in Isizinda is accounted for as a subsidiary.

1.5 EVENTS AFTER THE REPORTING PERIOD

No material changes have taken place in the affairs of the group between the end of the financial year and the date of this report.

1.6 CONTINGENT LIABILITIES

The group has no contingent liabilities as at 31 December 2018 (2017: Rnil).

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 ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand rand unless otherwise stated.

Notes to the group financial statements continued

for the year ended 31 December 2018

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE

2.1 REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Accounting policies and significant judgements

(i) 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 hirearchy 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.

Isizinda Aluminium (Pty) Ltd ("Isizinda") supplies slab to Hulamin Rolled Products. The activities of Isizinda are integrated into the Hulamin Rolled Products segment. Reportable segments are based and managed in South Africa.

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.

(ii) 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.

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 are recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts.

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.

No element of financing is deemed present as the sales are not made on extended credit terms.

A receivable is recognised when control passes as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) 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.

(iv) 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. As a consequence, 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) Segmental revenue, earnings and other disclosures

	2018			Restated* 2017		
	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	**10 640 844**	**892 974**	**11 533 818**	9 428 678	874 853	10 303 531
Timing of revenue recognition:						
– At a point in time	**10 558 422**	**892 974**	**11 451 396**	9 372 246	874 853	10 247 099
– Over time	**82 422**	**–**	**82 422**	56 432	–	56 432
Earnings						
EBITDA**	**745 198**	**(3 017)**	**742 181**	673 433	41 367	714 800
Impairment of property, plant and equipment and intangibles	**(1 376 319)**	**(74 495)**	**(1 450 814)**	–	–	–
Depreciation and amortisation	**(215 329)**	**(25 945)**	**(241 274)**	(190 429)	(25 945)	(216 374)
Operating (loss)/profit	**(846 450)**	**(103 457)**	**(949 907)**	483 004	15 422	498 426
Interest received	**3 847**	**40**	**3 887**	2 876	203	3 079
Interest paid	**(77 582)**	**(6)**	**(77 588)**	(80 699)	(5)	(80 704)
(Loss)/profit before tax	**(920 185)**	**(103 423)**	**(1 023 608)**	405 181	15 620	420 801
Taxation	**252 423**	**(2 226)**	**250 197**	(114 849)	(2 189)	(117 038)
Net (loss)/profit for the year	**(667 762)**	**(105 649)**	**(773 411)**	290 332	13 431	303 763
Headline earnings						
Net (loss)/profit for the year	**(667 762)**	**(105 649)**	**(773 411)**	290 332	13 431	303 763
Loss on disposal of property, plant and equipment	**231**	**–**	**231**	10 158	30	10 188
Reversal of impairment on Almin Metal Industries Limited	**–**	**–**	**–**	–	(6 529)	(6 529)
Impairment of property, plant and equipment and intangibles	**1 376 319**	**74 495**	**1 450 814**	–	–	–
Tax effect	**(385 434)**	**–**	**(385 434)**	(2 844)	(8)	(2 852)
	323 354	**(31 154)**	**292 200**	297 646	6 924	304 570
Total assets	**6 194 109**	**317 350**	**6 511 459**	6 865 488	359 711	7 225 199
Total liabilities	**2 605 848**	**102 990**	**2 708 838**	2 533 528	42 994	2 576 522
Other disclosures						
Additions to property, plant and equipment and intangible assets	**215 248**	**26 496**	**241 744**	211 767	49 267	261 034

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

Sales to the largest five customers of the Hulamin Rolled Products segment accounts for 53% of total group revenue.

* *Financial information has been adjusted in accordance with note 9.7 resulting from the correction of prior period errors, and restated as presented in note 9.8 due to the implementation of new accounting standards.*

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

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE CONTINUED

2.1 REPORTABLE SEGMENT ANALYSIS CONTINUED

(c) Disaggregation of revenue from contracts with customers

	2018 R'000	Restated* 2017 R'000
Analysis of revenue by product market		
Automotive and transport	**1 400 396**	1 438 397
Building and construction	**263 180**	228 594
General engineering	**4 907 080**	3 881 768
Packaging	**4 963 162**	4 754 772
	11 533 818	**10 303 531**
Geographical analysis of revenue		
South Africa	**4 691 267**	4 824 763
North America	**3 308 552**	2 037 752
Europe	**2 407 609**	2 239 023
Asia	**462 290**	417 343
Middle East	**239 362**	362 746
Australasia	**77 779**	175 986
South America	**320 948**	229 995
Rest of Africa	**26 011**	15 923
	11 533 818	**10 303 531**

** Financial information has been adjusted in accordance with note 9.8 due to the adoption of IFRS 9, "Financial Instruments".*

(d) 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 performance obligation is satisfied and payment is due upon the final delivery of the goods to the customer.

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

	2018 R'000	2017 R'000
Within one year	**7 273**	4 867

2.2 EARNINGS PER SHARE

Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

Headline earnings per share

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 4/2018 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised earnings per share

Normalised earnings per share is one of the measurement bases which the Hulamin Executive Committee uses in assessing performance and in deciding how to allocate resources. The definition of normalised earnings has been expanded in the current financial year to not only exclude non-recurring items and once-off adjustments, but also gains and losses on metal price lags and to adjust for the impact of a highly effective commodity risk management programme not qualifying for hedge accounting. On adoption of the hedging component of IFRS 9 the latter adjustment will be removed from the definition as the hedging programme is expected to qualify for hedge accounting. The presentation of normalised earnings is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.

Weighted average number of shares

Basic earnings per share, headline earnings per share and normalised earnings per share are calculated using the weighted average number of ordinary shares in issue during the year. For purposes of calculating diluted earnings per share, headline earnings per share and normalised earnings per share, the weighted average number of shares in issue is adjusted for the dilutive effect of employee share options.

(a) Reconciliation of denominators used for basic and diluted earnings per share, headline earnings per share and basic normalised earnings per share

	December 2018 Number of shares	December 2017 Number of shares
Basic EPS – weighted average number of shares	**319 596 836**	319 596 836
Share options	**7 807 318**	11 471 925
Diluted EPS – weighted average number of shares	**327 404 154**	331 068 761

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

	2018		2017 Restated*	
	Gross R'000	**Net R'000**	Gross R'000	Net R'000
Net profit for the year		**(773 411)**		303 763
Adjustments	**1 451 045**	**1 065 611**	3 659	807
– Reversal of impairment on associate	**–**	**–**	(6 529)	(6 529)
– Impairment loss on property, plant and equipment	**1 450 814**	**1065 445**	–	–
– Loss on disposal of property, plant and equipment	**231**	**166**	10 188	7 336
Headline earnings		**292 200**		304 570
Headline earnings per share (cents)				
Basic		**91**		95
Diluted		**89**		92

** Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.*

(c) Reconciliation of headline earnings for the year to normalised earnings

	2018 R'000	Restated* 2017 R'000
Headline earnings	**292 200**	304 570
Limitations of IAS39, "Financial Instruments" resulting in a highly effective commodity risk management programme not qualifying for hedge accounting	**(43 863)**	25 982
Timing mismatch: Insurance claim	**–**	(18 000)
Metal price lag	**(2 525)**	(107 677)
Normalised earnings	**245 812**	204 875
Headline earnings per share (cents)		
Basic	**77**	**64**
Diluted	**75**	**62**

** Enhanced disclosure based on the revised definition of normalised earnings per share*

(d) 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.

59 714 197 options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2018. These options could potentially dilute basic earnings per share in the future.

Notes to the group financial statements continued

for the year ended 31 December 2018

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE CONTINUED

2.2 EARNINGS PER SHARE CONTINUED

(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 EXPENSES BY NATURE

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.

	2018 R'000	Restated* 2017 R'000
Aluminium and other material costs	**7 255 827**	6 067 593
Utilities and other direct manufacturing costs	**1 187 127**	1 111 679
Employment costs (note 2.3.1)	**1 241 193**	1 144 905
Depreciation (note 5.1)	**222 271**	200 598
Amortisation of intangible assets (note 5.2)	**19 003**	15 776
Repairs and maintenance	**291 799**	326 235
Freight and commissions	**469 425**	380 655
Impairment of property, plant and equipment and intangible assets (note 5.3)	**1 450 814**	–
Other operating income and expenditure (note 2.3.2)	**622 998**	469 214
	12 760 457	9 716 655
Classified as:		
Cost of sales of goods	**10 583 507**	9 115 128
Cost of providing services*	**82 422**	56 432
Selling, marketing and distribution expenses	**448 237**	396 442
Administrative and other expenses (including net impairment losses)	**195 477**	148 653
Impairment of property, plant and equipment	**1 450 814**	–
	12 760 457	9 716 655

** Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.*

2.3.1 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.

	2018 R'000	2017 R'000
Employment costs		
Salaries and wages	**1 143 886**	1 031 417
Retirement benefit costs:		
Defined contribution schemes (note 8.2)	**64 926**	58 379
Defined benefit scheme (note 8.2)	**(9 254)**	(7 934)
Post retirement medical aid costs (note 8.2)	**24 559**	23 891
Retirement gratuities (note 8.2)	**7 068**	6 161
Share incentive costs	**10 008**	32 991
	1 241 193	1 144 905

2.3.2 OTHER OPERATING INCOME AND EXPENDITURE

The following separately disclosable items are included in other operating income and expenditure:

	2018 R'000	2017 R'000
Inventory net realisable value adjustment	**(9 825)**	10 000
Operating leases	**25 817**	19 740
Increase/(decrease) in provision for impairment of debtors	**3 764**	(393)
Auditors' remuneration (note 2.3.3)	**5 625**	5 556

2.3.3 AUDITORS' REMUNERATION

	2018 R'000	2017 R'000
Audit fees	**4 501**	4 772
Fees for other services	**248**	326
Expenses	**876**	458
	5 625	5 556

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

	2018 R'000	Restated* 2017 R'000
Valuation adjustments on non-derivative items	**87 274**	(2 175)
Valuation adjustments on derivative items **	**189 689**	(108 956)
	276 963	(111 131)

* *Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.*
** *Included in the above are fair value adjustments arising from commodity futures used to hedge the metal price lag.*

Whilst Hulamin's commodity risk management strategy is effective in mitigating the impact of metal price lag, this is considered ineffective for the purposes of hedge accounting (refer note 12). Accordingly, these fair value movements over the period arising from commodity futures have not been included in the hedge reserve (where the sale has not yet occurred) or in revenue (where the sale has occurred) to match against the gross metal price lag included in gross profit.

2.5 OTHER GAINS AND LOSSES

	2018 R'000	2017 R'000
Loss on disposal of property, plant and equipment	**(231)**	(10 188)
Insurance income – Claim recoveries	**–**	26 340
Impairment reversal	**–**	6 529
	(231)	22 681

Notes to the group financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY: MEASURES TO ASSESS GROUP LEVERAGE

3.1 NON-CURRENT BORROWINGS

Financial liabilities are initially measured at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

		2018 R'000	2017 R'000
Nedbank loan facility		**108 000**	162 000
Less: Current portion included in current borrowings (note 3.2)		**(54 000)**	(54 000)
		54 000	108 000
Effective interest rate	(%)	**10.50**	10.44

The Nedbank long-term loan is secured against a mortgage bond of R405 million (2017: R405 million) over land and buildings disclosed in note 5.1 with a carrying amount of R192.9 million.

The fair values of the non-current borrowings approximate their carrying value since the interest payable on these borrowings approximates current market rates. The fair value of the borrowings are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The loan is repayable in quarterly instalments over five years commencing in March 2016.

As R54 million (2017: R54 million) is due within twelve months from reporting date, it has been reclassified to current borrowings (note 3.2).

3.2 CURRENT BORROWINGS

	2018 R'000	2017 R'000
Nedbank revolving facilities	**632 149**	193 963
Current portion of term loan (note 3.1)	**54 000**	54 000
Pension fund loan (note 9.5)	**79 634**	72 736
	765 783	320 699
Effective interest rates are as follows:		
Nedbank revolving facility %	**8.88**	9.59
Pension fund loan %	**9.05**	9.72

The Nedbank revolving facilities comprise a gross borrowings of R1 276.0 million (2017: R571.5 million) which has been offset by bank balances of R644.0 million (2017: R377.5 million) in terms of the loan agreements with Nedbank.

Included in bank balances which have been offset against borrowings are the following foreign currency denominated accounts:

	2018 R'000	2017 R'000
Euro	**156**	703
Pound Sterling	**27**	–
US Dollar	**111**	26 909

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 lendor pre-approval for the following specified events:

- Incurring additional financial indebtedness in excess of R50 million;
- 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; and/or
- Amendments to the aluminium price and exchange rate hedging strategy.

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

	2018	2017
Current ratio	**>1.25**	>1.25
Debt to equity ratio*	**<0.5**	<0.5

* *As defined in the contractual agreements.*

The group remains within the required covenant ratios.
The obligations of the revolving credit facility have been guaranteed by each of Hulamin Limited and Hulamin Extrusions Proprietary Limited. The debt package is held through Hulamin Operations Proprietary Limited.

The pension fund loan is unsecured and has no fixed terms of repayment. The loan can be recalled at any stage and as such has been classified as current.

The fair values of the current borrowings approximate their carrying value based on the short-term nature of these borrowings.

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 2018.

	2018 R'000	2017
Net debt comprises:		
Cash and cash equivalents	**525 981**	111 472
Non-current borrowings	**(54 000)**	(108 000)
Current borrowings	**(765 783)**	(320 699)
Net debt (note 7.4)	**(293 802)**	(317 227)
Cash and cash equivalents	**525 981**	111 472
Gross debt - variable interest rates	**(819 783)**	(428 699)
Net debt	**(293 802)**	(317 227)

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

	Assets	Liabilities from financing activities		
	Cash	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 31 December 2016	75 627	(490 444)	(162 000)	(576 817)
Cash flows	8 727	223 754	–	232 481
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	27 118	–	–	27 118
Net debt as at 31 December 2017	111 472	(320 690)	(108 000)	(317 218)
Cash flows	423 225	(391 093)	–	32 132
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	(8 717)	–	–	(8 717)
Net debt as at 31 December 2018	**525 981**	**(765 783)**	**(54 000)**	**(293 802)**

Notes to the group financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY: MEASURES TO ASSESS GROUP LEVERAGE CONTINUED

3.4 STATED CAPITAL AND CONSOLIDATION 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 (2017: 800 000 000 ordinary shares)

31 477 333 A ordinary shares of no par value (2017: 31 477 333 A ordinary shares)

36 072 000 B ordinary shares of no par value (2017: 36 072 000 B ordinary shares)

The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 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

	2018 R'000	2017 R'000
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (fully paid up)		
(2017: 319 596 836 shares (fully paid up))	**1 817 580**	1 817 580
Issued during year: nil (2017: nil)		
Closing balance: 319 596 836 shares of no par value (fully paid up)	**–**	–
(2017: 319 596 836 shares (fully paid up)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up)	**59 656**	59 656
(2017: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))		
Issued during the year: nil (2017: nil)	**–**	–
Closing balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up)	**59 656**	59 656
(2017: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))		
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up)	**361**	361
of no par value (2017: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))		
Issued during the year: nil (2017: nil)	**–**	**–**
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up)	**361**	**361**
of no par value (2017: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))		
Total issued stated capital	**1 877 597**	1 877 597
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital	**1 817 580**	1 817 580

(c) A and B ordinary shares

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

A1 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 2018, 6 801 529 unissued ordinary shares (2017: 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.

3.5 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.

	2018 R'000	2017 R'000
Dividends per share declared		
Final dividend: 18 cents on 319 596 836 ordinary shares (2017: 15 cents on 319 596 836 ordinary shares)	**57 527**	47 940
Final dividend: 18 cents on 4 721 600 A1 ordinary shares (2017: 15 cents on 4 721 600 A1 ordinary shares)	**850**	708
Total	**58 377**	48 648

The final dividend was declared subsequent to year end and therefore has not been provided for in the group financial statements.

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at amortised cost and includes cash on hand and deposits held with local banks with original maturities of three months or less.

	2018 R'000	2017 R'000
Bank balances	**17 372**	30 263
Overnight call deposits	**508 600**	81 000
Cash on hand	**9**	209
	525 981	111 472
Effective interest rate on credit balances (%)	**2.38**	3.30

Bank balances with a carrying value of R508.6 million (2017: R81.0 million) have been 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).

4.2 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

The cost is determined on the following basis:
Consumable stores: Weighted average.
Raw materials, WIP and Finished goods : First In First Out.
The inventory balance consists of:

	2018 R'000	2017 R'000
Raw materials	**475 476**	557 382
Work-in-progress	**622 797**	545 828
Finished goods	**880 613**	770 890
Consumable stores	**283 659**	275 961
	2 262 545	2 150 061

Inventories with a carrying value of R625 million (2017: R604 million) are encumbered as security for borrowing facilities (note 3.2).

Inventories recognised as an expense during the year ended 31 December 2018 amounted to R10 664 million (2017: R9 115 million). These were included in cost of sale of goods. Certain items of inventory were written down (note 2.3.2) to net realisable value.

Notes to the group financial statements continued

for the year ended 31 December 2018

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY CONTINUED

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 amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details of the group's impairment policies are provided in section (c) below.

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

The group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

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 a 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.

Before 1 January 2018 the group accounted for financial assets on initial recognition at fair value plus transaction costs. Loans and receivables, which include trade receivables, were subsequently measured at amortised cost less impairment losses, which are recognised in the income statement. Financial assets carried at amortised cost were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. In particular, the trade receivables provision is established where there was objective evidence that the group will not collect all amounts due according to the original terms of receivables. Evidence of impairment may have included indications that the debtors are experiencing significant financial difficulty.

(b) Financial and non-financial assets

	2018 R'000	Restated* 2017 R'000
Financial assets	**1 355 256**	1 079 468
Trade receivables - net of settlement discounts	**1 343 727**	1 054 939
Less: Loss allowance	**(5 271)**	(1 507)
Net Trade receivables	**1 338 456**	1 053 432
Sundry receivables	**16 800**	26 036
Non-financial assets	**175 023**	157 628
Prepayments	**40 613**	34 366
Value-added taxation receivable	**134 410**	123 262
	1 530 279	1 237 096

** See note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

Included in trade receivables is an amount of R12.3 million (2017: R14.8 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.

(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.

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 excess and first loss aggregate. 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 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.

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2018 or 1 January 2018 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 the historical default rates are adjusted.

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 2018 was determined as follows for trade receivables:

31 December 2018	Current R´000	30 days R´000	60 days R´000	90 days R´000	120 days R´000	More than 120 days R´000	Total R´000
Export debtors							
Expected loss rate	**0.0%**	**0.2%**	**0.6%**	**0.9%**	**2.8%**	**4.6%**	
Gross carrying amount	**578 472**	**139 782**	**28 237**	**18 646**	**17 788**	**52 692**	**835 617**
Loss allowance	**34**	**341**	**170**	**171**	**505**	**2 429**	**3 650**
Local debtors							
Expected loss rate	**0.0%**	**0.0%**	**0.5%**	**1.8%**	**3.7%**	**53.9%**	
Gross carrying amount	**219 723**	**283 764**	**10 381**	**4 845**	**8 811**	**2 049**	**529 573**
Loss allowance	**5**	**51**	**53**	**87**	**322**	**1 104**	**1 621**

The closing loss allowance for trade receivables as at 31 December 2018 reconcile to the opening loss allowance as follows:

	2018 R´000
31 December – Calculated under IAS 39	**1 507**
Amounts restated through opening retained earnings	**(204)**
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	**1 303**
Increase in loss allowance recognised in profit or loss during the year	**4 648**
Receivables written off during the year as uncollectible	**(671)**
Unused amounts reversed	**(9)**
At 31 December 2018	**5 271**

Notes to the group financial statements continued

for the year ended 31 December 2018

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY CONTINUED

4.3 TRADE AND OTHER RECEIVABLES CONTINUED

(d) Credit risk of trade receivables

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 creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. 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, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:

	2018 R´000	Restated* 2017 R´000
Receivables that are not overdue and remain within credit limits	**872 528**	999 921
Receivables which have exceeded credit terms and are:	**482 728**	79 547
Overdue by less than 60 days	**469 801**	58 367
Overdue by more than 60 days	**12 927**	21 180
Total financial assets, net of provision for expected credit losses	**1 355 256**	1 079 468

** See note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

At 31 December, the group had 13 debtors that owed it more than R10 million each and accounted for approximately 65% of all receivables outstanding (the prior year included 19 debtors that accounted for approximately 69%). Three debtors owed the group more than R100 million each and accounted for approximately 49% of all receivables outstanding (the prior year included two debtors which accounted for approximately 22% of all receivables outstanding). There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December 2018, 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:

		2017 R'000	2017 R'000
Local trade receivables		**241 563**	347 696
– Balance subject to credit insurance	(%)	**100**	96
Export trade receivables		**614 164**	626 189
– Balance subject to credit insurance	(%)	**99**	100
		855 727	973 885

Trade receivables covered by credit insurance are subject to a 10% excess local and export debtors.

Trade and other receivables with a carrying value of R862.2 million(2017: R802.0 million) have been ceded as security for borrowing facilities (note 3.2).

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.

	2018 Foreign amount '000	2018 Rand amount R'000	2017 Rand amount R'000
Euro	**184**	**3 031**	16 545
US Dollar	**7 207**	**104 007**	188 416
		107 038	204 961

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

4.4 TRADE AND OTHER PAYABLES

Financial liabilities are initially measured at fair value net of transaction costs.

Financial liabilities (excluding liabilities designated in a hedging relationship) that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost.

Before 1 January 2018 the group initially measured financial liabilities at fair value net of transaction costs. Financial liabilities (excluding liabilities designated in a hedging relationship) that were not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost.

	2018 R'000	Restated** 2017 R'000
Trade payables	**1 072 214**	921 663
Bonus accrual	**53 059**	59 520
Leave pay	**75 534**	69 523
Current leave obligations expected to be settled after 12 months*	**18 059**	20 017
Current leave obligations expected to be settled within 12 months*	**57 475**	49 506
Sundry accruals and other payables	**179 402**	207 394
	1 380 209	1 258 100

* *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 full amount of accrued leave or require payment within the next 12 months.*

** *See note 9.8 for details about restatements resulting from the adoption of new accounting standards.*

Sundry accruals and other payables includes provisions, employee benefit obligations and accrued interest.

5. LONG-TERM ASSETS: UTILISATION OF FIXED AND INTANGIBLE ASSETS

5.1 PROPERTY, PLANT AND EQUIPMENT

(a) Accounting policies and significant judgements

(i) Useful lives and residual values

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Items of property, plant and equipment are depreciated over their estimated useful lives to estimated residual values on the straight-line basis, as follows:

Buildings	Straight line	30 to 50 years
Plant and machinery	Straight line	4 to 50 years
Vehicles	Straight line	4 to 10 years
Equipment	Straight line	5 to 20 years
Furniture	Straight line	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 management obtained the services of an independent valuator to assess the useful lives and residual values of the critical assets. All other asset useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments.

(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.

5. LONG TERM ASSETS: UTILISATION OF FIXED AND INTANGIBLE ASSETS CONTINUED

5.1 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Accounting policies and significant judgements continued

The weighted average interest rate used for borrowing costs capitalised is 9.31% (2017: 10.19%).

(iv) 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 weighted average interest rate used for borrowing costs capitalised is 9.31% (2017: 10.19%).

(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
2018					
At cost					
Balance at beginning of year	**7 841 222**	**1 103 600**	**6 408 490**	**198 962**	**130 170**
Additions	**210 538**	**3 433**	**34 159**	**3 817**	**169 129**
Borrowing costs capitalised	**6 790**	**–**	**–**	**–**	**6 790**
Capitalised from capital works under construction	**–**	**7 556**	**135 735**	**25 795**	**(169 086)**
Transfers	**(138)**	**–**	**–**	**(138)**	**–**
Disposals	**(21 397)**	**–**	**(10 437)**	**(10 960)**	**–**
Balance at end of year	**8 037 015**	**1 114 589**	**6 567 947**	**217 476**	**137 003**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**4 516 629**	**553 510**	**3 859 029**	**104 090**	**–**
Charge for the year (note 2.3)	**222 271**	**17 624**	**191 036**	**13 611**	**–**
Impairment of property, plant and equipment	**1417 621**	**–**	**1 303 367**	**46 442**	**67 812**
Transfers	**(138)**	**–**		**(138)**	**–**
Disposals	**(21 162)**	**–**	**(10 202)**	**(10 960)**	**–**
Balance at end of year	**6 135 221**	**571 134**	**5 343 230**	**153 045**	**67 812**
Carrying value at 31 December 2018	**1 901 794**	**543 455**	**1 224 717**	**64 431**	**69 191**
2017					
At cost					
Balance at beginning of year	7 668 217	1 057 266	6 026 979	151 311	432 661
Additions	256 427	4 239	56 773	6 729	188 686
Borrowing costs capitalised	21 488	–	–	–	21 488
Capitalised from capital works under construction	–	42 295	415 737	53 646	(511 678)
Transfers	(11 407)	–	–	(11 407)	–
Disposals	(93 503)	(200)	(90 999)	(1 317)	(987)
Balance at end of year	7 841 222	1 103 600	6 408 490	198 962	130 170
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 404 717	536 097	3 768 296	100 324	–
Charge for the year (note 2.3)	200 598	17 613	172 531	10 454	–
Transfers	(5 371)	–	–	(5 371)	–
Disposals	(83 315)	(200)	(81 798)	(1 317)	–
Balance at end of year	4 516 629	553 510	3 859 029	104 090	–
Carrying value at 31 December 2017	3 324 593	550 090	2 549 461	94 872	130 170

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

Moveable items with a carrying value of R41.1 million (2017: R87.1 million) and land and buildings, largely production buildings located at our Campsdrift site, with a carrying value of R192.9 million (2017: R198.1 million) are encumbered as security for borrowing facilities (note 3.2).

The total depreciation charge is included in cost of sales, R200.2 million (2017: R181.2 million), and inventory, R22.1 million (2017:19.4 million).

Included in property, plant and equipment are assets with a carrying amount of R32.5 million which are currently mothballed and not classified as held-for-sale.

5.2 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. 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 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.

(b) Intangible assets movement schedule

	2018 R'000	2017 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**79 962**	86 922
Additions	**21 545**	
Written-off	**(8 404)**	
Transfers		(6 960)
Balance at end of year	**93 103**	79 962
Accumulated amortisation		
Balance at beginning of year	**59 580**	54 948
Charge for the year (note 2.3)	**7 067**	4 632
Written-off	**(8 404)**	–
Impairment of intangible assets	**11 853**	–
Transfers	**–**	–
Balance at end of year	**70 096**	59 580
Carrying value at end of year	**23 007**	20 382
Software costs – purchased		
Balance at beginning of year	**100 566**	77 401
Additions	**9 661**	4 607
Borrowing costs capitalised	**–**	218
Written-off	**(5 999)**	–
Transfers	**–**	18 340
Balance at end of year	**104 228**	100 566

Notes to the group financial statements continued

for the year ended 31 December 2018

5. LONG TERM ASSETS: UTILISATION OF FIXED AND INTANGIBLE ASSETS CONTINUED

5.2 INTANGIBLE ASSETS CONTINUED

(b) Intangible assets movement schedule continued

	2018 R'000	2017 R'000
Accumulated amortisation		
Balance at beginning of year	**56 804**	40 289
Charge for the year (note 2.3)	**11 936**	11 144
Written-off	**(5 980)**	–
Impairment of intangible assets	**21 339**	–
Transfers	**–**	5 371
Balance at end of year	**84 099**	56 804
Carrying value at end of year	**20 129**	43 762
Total software costs		
Cost	**197 331**	180 528
Accumulated amortisation	**(154 195)**	(116 384)
Carrying value at end of year	**43 136**	64 144

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 9.31% (2017: 10.19%).

Capital work in progress included within total software cost above is R9.5 million. (2017: Rnil).

5.3 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 in order 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. Value in use is estimated based on discounted future cash flows expected to be derived from an asset or cash-generating unit (CGU).

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. Subsequent to 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.

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss.

(a) Impairment assessment

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period 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.

	2018 R'000	2017 R'000
The impairment charges recognised in the income statement are as follows:		
Rolled Products cash generating unit (note b)	**1 376 319**	–
Extrusions cash generating unit (note c)	**74 495**	–
Total impairment charge	**1 450 814**	–
Taxation	**(385 369)**	–
Net impairment charge	**1 065 445**	–

(b) Rolled Products Cash Generating Unit

The carrying value of property, plant and equipment and intangible asset balances relating to the Rolled Products CGU exceeded the recoverable amount by R1 376 million and a gross impairment charge was recognised which, after a reduction of R385 million in the related deferred tax liability, decreased shareholder's equity by R991 million.

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. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. The group continues to forecast that free cash flows will improve in future periods. The most recent forecast of these free cash flows is higher than the forecast done in the previous year. Key assumptions include:

Sales volumes are forecast to grow to 236 000 tons over the period of the business plan.

Rolling margins forecasts take into account anticipated changes in both market conditions and the product mix.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2021 and with reference to inflation differentials thereafter, with the ZAR: USD rate rising from an average of R14.27 in 2019 to R15.06 in 2023.

A pre-tax discount rate of 20.6% (post-tax 15.6%) was used in the calculation and this rate is materially higher from the pre-tax 15.0% (post-tax 12.1%) used in 2017. The increase in the discount rate is due to:

- Increases in the component elements of the discount rate, including the increase in the bond rate used to determine the risk free rate, an increase in borrowing rates in line with bond rates, and lower debt to equity ratios in the industry.
- The adoption of a 3% specific risk premium, which is a significant increase compared to the 1% premium used in 2017. This heightened risk premium has been adopted as the CGU's future cash flows are impacted by increased uncertainty. This heightened level of uncertainty in world markets in general, and in the global aluminium industry in particular, reflects the increasing fragmentation of globalised trading patterns and increased geo-political uncertainty, as evidenced by increasing trade tensions and a slow down in globalisation.

Sensitivity analysis

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

- Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R282 million*
- Rolling margins: A reduction in average rolling margins of 5,0% for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 364 million*.
- Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 433 million.

(c) Extrusions Cash Generating Unit

The Extrusions cash generating unit has experienced difficult trading conditions in 2018. Performance and cash flows are forecast to improve in the future, but the required turn around in performance has increased the uncertainty related to these cash flows. The risk premium in respect of the valuation of these cash flows has correspondingly been increased from 2% to 5%. The carrying value of the assets therefore exceeds the recoverable amount by R121 million. The impairment charge was limited to R74 million which represents the recoverable amount of individual assets.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use was estimated using a pre tax discount rate of 21,1% (post tax 17.1%), and the fair value less costs of disposal was estimated using obsolescence factors of between 85% and 1% depending on the estimated remaining useful life of the asset.

Sensitivity analysis

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

- Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R15 million.
- Earnings before tax: A 5% decrease in earnings before tax may result in an additional impairment charge, before tax, of up to R11 million.

** The recognition of additional impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount.*

5.4 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2018 R'000	2017 R'000
Property, plant and equipment	**174 882**	42 527

Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.

Notes to the group financial statements continued

for the year ended 31 December 2018

6. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

6.1 DETAILS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) Basis of consolidation

The group financial statements incorporate the assets, liabilities, income, expenses and cash flows of entities, typically subsidiaries, controlled by the group (including structured entities). 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. 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. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

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) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial position, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. An impairment loss on an associate should be recognised in the share of profit of an associate in the Statement of Profit or Loss. Any reversal of that impairment loss is recognised in accordance with IAS 36: Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Almin Metal Industries Limited ("Almin"), an associate company, was fully impaired in prior years.

During the 2017 financial period, the previously recognised impairment of R6.5 million was reversed after taking into account an offer to purchase the investment. Refer to note 6.2. The sale is set to proceed pending the approval from the Zimbabwean Authorities.

Name	Country of incorporation	% Equity interest 2018	% Equity interest 2017	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100	Dormant
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	**100**	100	Sales office
Isizinda Aluminium (Pty) Ltd*#	South Africa	**38,7**	38,7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	**49**	49	Manufacture of aluminium profiles

* *Subsidiaries of Hulamin Operations (Pty) Ltd.*
\# *Beneficial interest of 100%.*
** *Investment held by Hulamin Extrusions Proprietary Limited.*

All the investments are unlisted.

Structured entities

The following structured entities have been consolidated:

The 2015 Hulamin Employee Share Ownership Trust
The ESOP Trust
Imbewu SPV 14 (Pty) Ltd

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

6.2 NON-CURRENT ASSETS HELD-FOR-SALE

Disposal groups are classified as assets and liabilities held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

During the 2017 financial year, the group received an offer from a third party to acquire the 49% interest which it holds in Almin. The sale was approved by the Board and was expected to be completed within 12 months from year-end. IFRS 5, "Non-current assets held for sale" provides that an exception to the 12-month requirement shall be applied in an event where it can be shown that another party (not the buyer) will impose conditions on the transfer of the asset that will extend the period beyond 12-months. The sale agreement has been signed by both parties and the sale is pending approval from the Zimbabwean Regulatory Authorities. The asset is presented within total assets of the Extrusions segment in note 2.1.

The held-for-sale investment is measured at the lower of its carrying amount and fair value less costs to sell at the time of classification. The fair value was determined with reference to the impending sales agreement. The investment in shares is carried at its carrying amount.

Details of the non-current asset held-for-sale are as follows:

	2018 R'000	2017 R'000
Investment in associate	**6 529**	6 529

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance, and uses derivative financial instruments to hedge certain risk exposures.

Hedging is carried out by a central treasury department (group treasury) under policies approved by the board of directors and in close cooperation with the group's operating units.

7.1 MARKET RISK

(a) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

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's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities. The values of aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge 50% of the currency exposure on aluminium, while the value added portion of export transactions is hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks. The details of the hedge accounting requirements is laid out below.

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 R21 580 655 (2017: R9 060 011) 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 offset by equivalent gains or losses in currency derivatives. The above change in currency exchange rates would have resulted in equity being lower or higher by R31 618 484 (2017: R22 333 000). The change in equity is mainly from foreign exchange losses or gains on translation of US Dollar denominated cash-flow hedging instruments.

The group uses foreign currency forwards to hedge its exposure to foreign currency risk. 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.

Notes to the group financial statements continued

for the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and the group is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the approach is to hedge 50% of the risk using futures contracts. At 31 December 2018, 50% (2017: 50%) of the risk was hedged.

The group uses LME futures to hedge its exposure to movements in the LME price. The LME price represents one component of the metal sales price, which includes other components such as regional premium and conversion margin. In order to qualify for hedge accounting under IAS 39, the hedge must be expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. IAS 39 further assumes that there is insufficient information to separately identify and reliably measure these components. As a result, despite the fact that the LME futures are highly efficient when measured against the LME price component, there is insufficient correlation between LME futures and changes in the full invoice price to warrant hedge accounting. As a result, these derivatives are accounted for at fair value through profit and loss. The group will implement the hedging component of IFRS 9 for the financial year starting 1 January 2019. Under the hedging component of IFRS 9 the price components of the invoice can be separately designated as the hedged item and these derivative instruments are expected to be hedge accounted.

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 R31 609 402 (2017 restated: R29 190 947) based on the group's exposure to firm customer commitments at the balance sheet date. The above change in aluminium prices would have had no effect on equity (2017 restated: nil) as none of these instruments were hedge accounted.

(c) Hedge accounting

(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 is 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.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

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. The group's hedging reserve disclosed in the statement of changes in equity relate to the following hedging instruments:

(iii) Hedging reserve

	Spot component of currency forwards R'000	Total hedge reserve R'000
Opening balance 1 January 2017	15 506	15 506
Add: Change in fair value of hedging instrument recognised in OCI	10 053	10 053
Less: Reclassified to profit or loss - on hedge maturity	23 965	23 965
Less: Deferred tax	(9 525)	(9 525)
Closing balance 31 December 2017	39 999	39 999
Add: Change in fair value of hedging instrument recognised in OCI	**(150 053)**	**(150 053)**
Less: Reclassified to profit or loss – on hedge maturity	**85 776**	**85 776**
Less: Deferred tax	**17 998**	**17 998**
Closing balance 31 December 2018	**(6 280)**	**(6 280)**

(iv) Amount recognised in profit or (loss)

During the year the following amounts were recognised in profit or (loss) in relation to derivative instruments and valuation adjustments on non-derivative financial instruments:

	2018 R'000	Restated* 2017 R'000
Valuation adjustments on non-derivative items (note 2.4)		
Foreign exchange gains on debtors and creditors balances	**95 990**	(29 293)
Foreign currency denominated cash balances	**(8 717)**	27 118
	87 274	(2 175)
Valuation adjustments on derivative items		
Foreign exchange contracts: firm commitments, debtors and creditors balances	**(30 737)**	45 370
Commodity futures	**134 649**	(178 291)
	103 913	(132 921)
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	**35 095**	75 122
The following amounts are included in revenue:		
Cash flow hedge losses transferred from equity	**85 776**	23 965
Valuation adjustments on derivative items	**103 913**	(132 921)
Losses included in revenue	**85 776**	23 965
Valuation adjustments on derivative items (note 2.4)	**189 689**	(108 956)

** See note 9.7 for the details about the restatement resulting from the correction of prior period errors.*

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

(c) Hedge accounting continued

(v) Hedge ineffectiveness

In order to qualify for hedge accounting, a hedge relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective retrospectively. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. The group enters into hedge relationships where the critical terms of the hedging instrument largely match the terms of the hedged item. Actual hedge effectiveness is determined, at a minimum, during interim and annual reporting periods to illustrate that an economic relationship exists between the hedged item and the hedging instrument.

Ineffectiveness may arise if the timing of the forecast transactions changes from what was originally estimated. Ineffectiveness during the year has been illustrated in section (iv) above.

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

	2018 R'000	2017 R'000
Foreign currency management – probable forecast sales	**(10 555)**	64 822
Foreign currency management – firm commitments, trade debtors, creditors and import orders	**(6 628)**	66 378
Commodity price management	**54 453**	(30 700)
	37 270	100 500
Grouped as:		
Financial assets	**71 281**	143 767
Financial liabilities	**(34 011)**	(43 267)
	37 270	100 500

The credit quality of all derivative financial assets is sound and there have been no defaults in the past. None are overdue or 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 2018 is R54.5 million (2017: R131.2 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.

The fair value of the financial instruments is determined by applying the methods disclosed in this note.

(d) Foreign currency management – probable forecast sales

The following forward foreign exchange contracts (FECs) on hand at period end were designated as hedging instruments in terms of hedge accounting.

	2018			2017		
	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						
US Dollar	**18 351**	**263 401**	**2 066**	40 671	555 003	(49 818)
		263 401	**2 066**		555 003	(49 818)
Forward sales						
US Dollar	**(78 679)**	**(1 131 137)**	**(12 621)**	(87 577)	(1 207 105)	114 640
		(1 131 137)	**(12 621)**		(1 207 105)	114 640
Net total		**(867 736)**	**(10 555)**		(652 102)	64 822
Maturing in:						
2018		**–**	**–**		(652 102)	64 822
2019		**(867 736)**	**(10 555)**		–	–
		(867 736)	**(10 555)**		(652 102)	64 822
Cash flow hedges		**(867 736)**	**(10 555)**		(652 102)	64 822
Grouped as:						
Financial assets			**2 073**			64 822
Financial liabilities			**(12 628)**			–
			(10 555)			64 822

Hedge ratio	**100%**
Change in the spot value of outstanding instruments since 1 January (R'000)	**(90 614)**
Change in the value of hedged item used to determine hedge effectiveness (R'000)	**83 048**
Weighted average hedged rate for the year (including forward points)	**13.06**

Cash flow hedges

The group enters into FECs to hedge US Dollar exposure of the metal component of probable forecast sales. These FECs are hedge accounted and are designated as cash flow hedges, accounted for in accordance with the accounting policy detailed in this note. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the change in the fair value of the sales transaction attributable to movements in exchange rates to the change in the fair value of the FECs.

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

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

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

	2018			2017		
	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	**13 374**	**225 402**	**(2 113)**	6 583	106 126	(7 837)
Pound Sterling	**739**	**13 887**	**(215)**	627	11 393	(849)
US Dollar	**30 691**	**445 002**	**1 108**	40 762	544 680	(36 544)
		684 291	**(1 220)**		662 199	(45 231)
Forward sales						
Euro	**(19 705)**	**(321 452)**	**(6 822)**	(18 372)	(291 839)	18 414
Pound Sterling	**(1 043)**	**(19 013)**	**(260)**	(584)	(10 839)	1 008
US Dollar	**(45 577)**	**(664 870)**	**1 674**	(92 349)	(1 243 261)	92 186
		(1 005 335)	**(5 408)**		(1 545 939)	111 608
Net total		**(321 045)**	**(6 628)**		(883 739)	66 378
Maturing in:						
2018		**–**	**–**		(883 739)	66 378
2019		**(321 045)**	**(6 628)**		–	–
		(321 045)	**(6 628)**		(883 739)	66 378
Grouped as:						
Financial assets			**10 691**			66 432
Financial liabilities			**(17 319)**			(54)
			(6 628)			66 378

** Derivative instruments on average hold a maturity of 3-months or less.*

(f) Commodity price management

The following futures contracts cover commodity price risk on future sales, but the requirements for prospective hedge effectiveness are not met and were therefore not hedge accounted:

	2018			2017		
Net aluminium futures purchases/(sales) maturing in*:	Tons	Contracted value R'000	Fair value asset/(liability) R'000	Tons	Contracted value R'000	Fair value asset/(liability) R'000
2018	**–**	**–**	**–**	(20 375)	(540 018)	(30 700)
2019	**(21 325)**	**644 462**	**54 453**	–	–	–
	(21 325)	**644 462**	**54 453**	(20 375)	(540 018)	(30 700)
Grouped as:						
Financial assets			**58 517**			12 513
Financial liabilities			**(4 064)**			(43 213)
			54 453			(30 700)

** Derivative instruments on average hold a maturity of 3-months or less.*

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures are not hedge accounted at the period end.

7.2 INTEREST RATE RISK

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 (2017: nil) and no effect on equity (2017: 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 R2.7 million (2017: R2.8 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.

7.3 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 a major London Metal Exchange broker which carries an A1 credit rating, per Moody's. Foreign currency counterparty rating of all banks transacted with, as rated by Standard and Poor's, is BB which equals South Africa's rating.

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 any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 4.3 to the annual financial statements. The creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. 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 value of all trade receivables covered by insurance is detailed in note 4.3.

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).

7.4 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	2018 R'000	2017 R'000
Working capital		**1 300 000**	1 300 000
General banking		**350 000**	350 000
Pension fund		**79 635**	72 736
Current facilities		**1 729 635**	1 722 736
Non-current facilities		**108 000**	162 000
Total borrowing facilities		**1 837 635**	1 884 736
Utilised by:			
Non-current borrowings	3.1	**(54 000)**	(108 000)
Current borrowings	3.2	**(765 783)**	(320 699)
Cash and cash equivalents	4.1	**525 981**	111 472
Committed undrawn facilities and cash		**1 543 833**	1 567 509

Non-current facilities comprise a term loan of R108.0 million (2017: R162.0 million) used to fund the upgrade of the aluminium recycling plant in 2015. The loan facility is repayable quarterly in arrears starting on 31 March 2016 and has a remaining four year term.

In addition to the term loan, Hulamin borrowing facilities include a general short-term facility of R350.0 million (2017: R350.0 million), revolving working capital facilities of R1 300 million (2017: R1 300 million) that are committed for a further twelve months, and a pension fund loan facility of R79.6 million (2017: R72.7 million).

Notes to the group financial statements continued

for the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.4 LIQUIDITY RISK CONTINUED

As R54.0 million of the term loan is due within twelve months, this has been classified as current and the remainder is classified as non-current. Financial liabilities with maturity dates within the next twelve months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

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	Three to four years R'000	Total R'000
2017					
Non-current borrowings	–	120 685	–	–	120 685
Current borrowings	361 169	–	–	–	361 169
Trade and other payables (excluding employee benefit payables)	1 098 736	–	–	–	1 098 736
Derivative financial liabilities	43 267	–	–	–	43 267
	1 503 172	120 685	–	–	1 623 857
2018					
Non-current borrowings*	**–**	**59 670**	**–**	**–**	**59 670**
Current borrowings*	**833 938**	**–**	**–**	**–**	**833 938**
Trade and other payables (excluding employee benefit payables)	**1 216 445**	**–**	**–**	**–**	**1 216 445**
Derivative financial liabilities	**34 011**	**–**	**–**	**–**	**34 011**
	2 084 394	**59 670**	**–**	**–**	**2 144 064**

* *Borrowing facilities incur interest at variable rates. As fixed contractual terms are not know 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. Amounts represent undiscounted payments which includes cash balances that have been contractually offset as noted in note 3.2.*

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 395 million (2017: R1 349 million) which are payable within a period of three months, including trade payables in the amount of R1 072 million (2017: R927 million). Trade receivables amounting to R1 338 million (2017: R1 058 million) are recoverable within a period of three months.

7.5 CAPITAL RISK MANAGEMENT

The group's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, 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	2018 R'000	2017 R'000
Non-current borrowings	3.1	**54 000**	108 000
Current borrowings	3.2	**765 783**	320 699
Total borrowings		**819 783**	428 699
Less: Cash and cash equivalents	4.1	**(525 981)**	(111 472)
Net borrowings		**293 802**	317 227
Total equity		**3 802 621**	4 648 677
Total capital		**4 096 423**	4 965 904
Gearing ratio (net debt over total capital)	(%)	**7.2**	6.8

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 2017	**Rights granted in 2018**	**Rights exercised in 2018**	**Rights forfeited/ lapsed in 2018**	**Number of rights at December 2018**	Rights time constrained
R6.91	R1.91	25 May 2011	2 263 838	**–**	**–**	**2 263 838**	**–**	–
R3.60	R0.81	22 October 2012	116 730	**–**	**–**	**–**	**116 730**	–
R4.56	R1.35	25 February 2013*	532 997	**–**	**–**	**–**	**532 997**	–
R6.90	R2.73	24 April 2014	2 581 697	**–**	**–**	**75 731**	**2 505 966**	–
R8.20	R3.17	23 April 2015	2 018 186	**–**	**–**	**2 018 186**	**–**	–
R6.30	R2.52	22 April 2016	7 509 292	**–**	**–**	**7 509 292**	**–**	–
R6.50	R2.59	26 April 2017	7 745 108	**–**	**–**	**411 921**	**7 333 187**	7 333 187
			22 767 848	**–**	**–**	**12 278 968**	**10 488 880**	7 333 187

* *On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012.The vesting period of the award was 32 months and the awards vested on 22 October 2015. Participants have an additional 4-years within which to exercise their rewards.*

The volume-weighted average share price during the year for Hulamin shares was R4.93.

Notes to the group financial statements continued

for the year ended 31 December 2018

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

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 inputs:

	2017	2016	2015	2014	2013	2012	2011
Share price at grant date	R6.50	R6.30	R8.20	R6.90	R4.56	R3.60	R6.91
Risk-free interest rate	7.74%	8.02%	7.67%	8.17%	6.44%	6.38%	7.98%
Expected volatility	42.09%	42.29%	40.81%	42.22%	42.70%	40.33%	38.09%
Expected dividends	0.55%	0.50%	0.50%	0.5%	4.00%	9.85%	7.56%
Expected remaining life (months)	76	64	52	40	29	22	5
Contractual life (months)	84	84	84	84	84	84	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

(ii) Hulamin Limited Long-term Incentive Scheme 2007 (with performance conditions)

Under the Long Term Incentive Plan, 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 seven years from	Number of conditional awards at December 2017	**Conditional awards granted in 2018**	**Conditional awards exercised in 2018**	**Conditional awards forfeited/ lapsed in 2018**	**Number of conditional awards at December 2018**	Conditional time constrained
Nil	R7.60	23 April 2015	2 186 932	**–**	**2 186 932**	**–**	**–**	–
			2 186 932	**–**	**2 186 932**	**–**	**–**	–

The volume-weighted average share price during the year for Hulamin shares was R4.93.

The estimated fair value of these conditional share awards at the grant date was determined using a Monte Carlo Simulation model, based on the following significant inputs:

	2015
Share price at grant date	R8.20
Risk-free interest rate	7.13%
Expected volatility	43.22%
Expected dividends	0.50%
Expected remaining life (months)	4
Contractual life (months)	36

Vesting conditions:

Time	Three years
Market	Total shareholders' return (TSR)
Non-market	Return on capital employed (ROCE)

(iii) Hulamin Limited Long-term Incentive Scheme 2007 (without performance conditions)

Under the Long Term Incentive Plan, 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 seven years from	Number of conditional awards at December 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at December 2018	Conditional time constrained
Nil	R8.09	23 April 2015	728 975	–	**728 975**	–	–	–
Nil	R5.67	1 May 2016	145 370	–	–	–	**145 370**	145 370
Nil	R5.81	1 June 2016	87 867	–	–	–	**87 867**	87 867
Nil	R6.44	15 May 2017	78 577	–	–	–	**78 577**	78 577
			1 040 789	–	**728 975**	–	**311 814**	311 814

The volume-weighted average share price during the year for Hulamin shares was R4.93.

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

	2017	2016	2015
Share price at grant date	R6.55	R5.75 (May) R5.89 (June)	R8.20
Risk-free interest rate	7.12%	7.87% (May) 8.15% (June)	7.13%
Expected volatility	42.09%	40.42% (May) 40.22% (June)	43.22%
Expected dividends	0.55%	0.49% (May) 0.48%(June)	0.50%
Expected remaining life (months)	16.5	4 (May) 5 (June)	–
Contractual life (months)	36	36	36

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(iv) Employee 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 seven years from	Number of conditional awards at Dec 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at Dec 2018	Conditional time constrained
Nil	R3.93	26 July 2018	–	**1 889 307**	–	**36 614**	**1 852 693**	1 852 693
			–	**1 889 307**	–	**36 614**	**1 852 693**	1 852 693

The volume-weighted average share price during the year for Hulamin shares was R4.93.

Notes to the group financial statements continued

for the year ended 31 December 2018

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

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	**R4.34**
Risk-free interest rate	**7.34%**
Expected volatility	**N/A**
Expected dividends	**3.27%**
Expected remaining life (months)	**31**
Contractual life (months)	**36**

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(v) Employee Conditional Share Plan (performance)

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 seven years from	Number of conditional awards at Dec 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at Dec 2018	Conditional time constrained
Nil	R3.28	26 July 2018	–	**2 847 042**	**–**	**–**	**2 847 042**	2 847 042
			–	**2 847 042**	**–**	**–**	**2 847 042**	2 847 042

The volume-weighted average share price during the year for Hulamin shares was R4.93.

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	**R4.34**
Risk-free interest rate	**7.34%**
Expected volatility	**44.34%**
Expected dividends	**3.27%**
Expected remaining life (months)	**31**
Contractual life (months)	**36**

Vesting conditions:

Time	Three years
Non-market	Return on capital employed (ROCE)
Market	Total shareholders return (TSR)

(vi) Employee Conditional Share Plan (retention)

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 seven years from	Number of conditional awards at Dec 2017	**Conditional awards granted in 2018**	**Conditional awards exercised in 2018**	**Conditional awards forfeited/ lapsed in 2018**	**Number of conditional awards at Dec 2018**	Conditional time constrained
Nil	R3.93	26 July 2018	–	**602 164**	**–**	**–**	**602 164**	602 164
			–	**602 164**	**–**	**–**	**602 164**	602 164

The volume-weighted average share price during the year for Hulamin shares was R4.93.

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	**R4.34**
Risk-free interest rate	**7.34%**
Expected volatility	**N/A**
Expected dividends	**3.27%**
Expected remaining life (months)	**31**
Contractual life (months)	**36**

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(vii) Hulamin Limited Deferred Bonus Plan 2007

Under the Deferred Bonus Plan, participating employees purchased shares in Hulamin with a portion of their after-tax bonus. These pledged shares are held in escrow for a qualifying period, after which Hulamin awards the employee a number of shares in Hulamin Limited which match those pledged shares released from escrow.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2017	**Conditional awards granted in 2018**	**Conditional awards exercised in 2018**	**Conditional awards forfeited/ lapsed in 2018**	**Number of conditional awards at December 2018**	Conditional time constrained
R6.84	R8.79	8 May 2015	17 319	**–**	**17 319**	**–**	**–**	–
			17 319	**–**	**17 319**	**–**	**–**	–

The volume-weighted average share price during the year for Hulamin shares was R4.93.

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.1 SHARE BASED PAYMENTS CONTINUED

(vii) Hulamin Limited Deferred Bonus Plan 2007 continued

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

	2015
Share price at grant date	R6.84
Expected early exercise	Early exercise is taken into account on an expectation basis.
Expected dividends	The measurement of fair value did not take into account dividends as no dividend was expected.
Expected remaining life (months)	–
Contractual life (months)	36

Vesting conditions:

Time	Three years
Non-market	None
Market	None

The Deferred Bonus Shares were purchased by the participating employee on 8 May 2015.

(d) BEE equity transactions

(i) Strategic partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The Strategic BEE partners subscribed for 9 018 000 B1 ordinary, 9 018 000 B2 ordinary shares, and 18 036 000 B3 ordinary shares at a total cost of R361 000. For accounting purposes the fair value of the transaction at grant date is R20 000 000, which was expensed in full in the 2015 financial year. The share-based payments charge is based on the number of B1 and B2 ordinary shares. The fair value of the B1 share-based payments takes into account an effective grant price of 50% of the 30-day volume-weighted average price (VWAP) (R5.83) of the group's ordinary shares on grant date, while the fair value of the B2 share-based payments is based on an effective grant price of 100% of the same VWAP.

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

Share price at grant date	R5.49
Expected option life	Five years
Lock in period	Three years
Risk-free rate	8.58%
Expected volatility	43.15%
Expected dividends	0.50%
Expected remaining life	24 months
Contractual life	60 months

Vesting conditions:

Time	Five years
Non-market	None
Market	Share price

(ii) 2015 Hulamin Share Ownership Plan (ESOP)

On 22 December 2015, the ESOP trust subscribed for 4 721 600 A1 ordinary and 26 755 733 A2 ordinary shares. 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 fair value of the share-based payments takes into account an effective grant price of Rnil for the A1 shares and an effective grant price of the 30-day VWAP of the group's ordinary shares on grant date (R5.83) for the A2 shares, with the grant price reduced by dividends accruing to those shares over the vesting period.

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

Share price at grant date	R5.49
Risk-free rate	8.58%
Expected volatility	43.15%
Expected dividends	0.50%
Expected remaining life	24 months
Contractual life	60 months

Vesting conditions:

Time	Five years
Non-market	None
Market	Share price

(iii) Isizinda Aluminium Proprietary Limited (Isizinda)

Bingelela Capital (Pty) Ltd (Bingelela)

On 1 July 2015 Isizinda acquired the Bayside casthouse business for a purchase consideration of R100.2 million funded by a loan from Hulamin to Isizinda. At the time Bingelela had a 60% interest and Hulamin had a 40% interest in Isizinda. The interest held by Bingelela is accounted for as a grant of an equity option. The fair value of the option at the grant date was R27.2 million, which was determined on an indirect basis with reference to the intrinsic value of the business. This was determined on an indirect basis with reference to the bargain purchase gain (R51.9 million) and the contributed capital of R4 million from the outside shareholder. The time value component was deemed to be nominal.

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 is 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 2018 Bingelela owned 117 472 shares (58.74%) in Isizinda and the Trust owned 5 056 shares (2.53%). The fair value of these share-based payments take into account an exercise price of nil.

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.

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 RETIREMENT BENEFITS CONTINUED

(a) Accounting policies and significant judgements continued

(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 R14.6 million (2017: R13.6 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").

The assets relating to the retirement benefit equalisation value are held in the employer surplus account and there is no cross-subsidisation between the retirement benefit equalisation value and the assets held by the fund in terms of the defined contribution section of the fund. In addition to the assets relating to 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 2018. The next valuation will be performed at 31 December 2019.

	2018 R'000	2017 R'000
Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**150 157**	144 313
Present value of funded obligations	**(16 297)**	(17 259)
Pension fund asset at end of year	**133 860**	127 054
Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**17 259**	14 155
Current service cost	**3 138**	3 145
Interest cost	**2 029**	1 671
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 937)**	(1 053)
Actuarial gains arising from experience adjustments	**(2 980)**	(509)
Benefits paid	**(212)**	(150)
Defined benefit obligation at end of year	**16 297**	17 259

	2018 R'000	2017 R'000
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	**144 313**	131 552
Interest income	**14 421**	12 750
Remeasurements:		
(Losses)/gains on plan assets, excluding amounts included in interest income	**(8 365)**	191
Benefits paid	**(212)**	(180)
Fair value of plan assets at end of year	**150 157**	144 313
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**57 065**	59 766
Conservative portfolio	**239**	156
Money market and cash	**13 219**	11 655
Other assets:		
Loan to employer company (note 3.2)	**79 634**	72 736
	150 157	144 313
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**70 523**	60 008

	2018 R'000	2017 R'000
(iv) The amounts recognised in the income statement are as follows:		
Defined benefit plan (retirement benefit equalisation value)	**(9 254)**	(7 934)
Current service cost	**3 138**	3 145
Net interest income	**(12 392)**	(11 079)
Defined contribution plan	**50 326**	44 779
Employer cash contribution	**50 326**	44 779
	41 072	36 845
Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(2 937)**	(1 053)
Actuarial gains arising from experience adjustments	**(2 980)**	(509)
Losses/(gains) on plan assets, excluding amounts included in interest income	**8 365**	(191)

The average duration of the benefit obligation at 31 December 2018 is 20.2 years (2017: 21.6 years).

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 **RETIREMENT BENEFITS** CONTINUED

(c) Hulamin Pension Fund continued

		2018 R'000	2017 R'000
(v) Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**10.50**	10.00
Future inflation rate	(%)	**6.30**	6.70
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(414)**	(554)
1% increase in discount rate – effect on the obligation		**(2 692)**	(3 044)
1% decrease in discount rate – effect on current service cost		**512**	692
1% decrease in discount rate – effect on the obligation		**3 325**	3 805

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.

	2018 R'000	2017 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**208 915**	223 929
Liability in the statement of financial position	**208 915**	223 929
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**223 929**	221 019
Total expense accrued	**24 559**	23 891
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(21 725)**	(8 221)
Actuarial gains arising from experience adjustments	**(5 413)**	(1 724)
Benefit payments	**(12 435)**	(11 036)
Balance at end of year	**208 915**	223 929
(iii) Amounts recognised in the income statement are as follows:		
Interest costs	**22 053**	21 239
Current service costs	**2 506**	2 652
	24 559	23 891

	2018 R'000	2017 R'000
(iv) Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(21 725)**	(8 221)
Actuarial gains arising from experience adjustments	**(5 413)**	(1 724)
	(27 138)	(9 945)

(iv) Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to a number of 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.
- Demographic assumptions:
  - Withdrawal, pre-retirement mortality and ill-health retirement rates.
  - Post-retirement mortality.
  - Family statistics.

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:

		2018 R'000	2017 R'000
Principal financial assumptions:			
Discount rate	(%)	**10.50**	10.00
Future company subsidy rate – in service	(%)	**6.30**	8.15
Future company medical subsidy increase – pensioners	(%)	**8.05**	8.45
Sensitivity of future company subsidy rate:			
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs		**3 171**	3 537
1% increase in future company subsidy rate – effect on the obligation		**25 637**	29 647
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs		**(2 660)**	(2 936)
1% decrease in future company subsidy rate – effect on the obligation		**(21 633)**	(24 767)
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(744)**	(912)
1% increase in discount rate – effect on the obligation		**(20 985)**	(24 211)
1% decrease in discount rate – effect on current service cost		**812**	1 006
1% decrease in discount rate – effect on the obligation		**25 221**	29 432

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.

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 RETIREMENT BENEFITS CONTINUED

(d) Post-retirement medical aid benefits continued

The average duration of the benefit obligation at 31 December 2018 is 12.2 years (2017: 13.1 years). This number is analysed as follows:

- active members 17.8 years (2017: 19.2 years)
- retired members 8.9 years (2017: 9.7 years)

	2018 R'000	2017 R'000
Estimated benefits payable by the group in the next financial year	**12 181**	11 827

(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.

	2018 R'000	2017 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**42 823**	42 838
Liability in the statement of financial position	**42 823**	42 838
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**42 838**	37 860
Total expense accrued	**7 068**	6 161
Remeasurements:		
– Actuarial gains arising from changes in financial assumptions	**(3 813)**	(1 370)
– Actuarial (gains)/losses arising from experience adjustments	**(2 444)**	2 493
Gratuity payments	**(826)**	(2 306)
Balance at end of year	**42 823**	42 838
(iii) Amounts recognised in the income statement are as follows:		
Interest costs	**4 495**	3 848
Service costs	**2 573**	2 313
	7 068	6 161
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(3 813)**	(1 370)
Actuarial (gains)/losses arising from experience adjustments	**(2 444)**	2 493
	(6 257)	1 123

(v) Principal risks

Through its retirement gratuity benefit, the group is exposed to a number of 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.
  - 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:

		2018 R'000	2017 R'000
Principal financial assumptions:			
Discount rate	(%)	**10.50**	10.00
Future salary inflation rate	(%)	**6.30**	8.15
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**832**	904
1% increase in future salary inflation rate – effect on the obligation		**4 309**	4 870
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(722)**	(778)
1% decrease in future salary inflation rate – effect on the obligation		**(3 789)**	(4 241)

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 2018 is 10.2 years (2017: 11.5 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1,855,000 (2017: R933,000)

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST

8.3.1 DIRECTORS' REMUNERATION

(i) Directors' and prescribed officer's remuneration during the 2018 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted note 2 Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi (Note 3)	198 380	108 520					306 900		306 900	
TP Leeuw (Note 3)	488 378	195 590					683 968		683 968	
VN Khumalo (Note 4)	262 615	144 160					406 775		406 775	
NNA Matyumza	329 983	110 280					440 263		440 263	
SP Ngwenya	205 022	74 240					279 262		279 262	
PH Staude	262 615	89 990					352 605		352 605	
GHM Watson	588 799	248 692					837 492		837 492	
N Maharajh	297 972	101 370					399 342		399 342	
CA Boles	250 437	118 840					369 277		369 277	
B Mehlomakulu	209 387	88 080					297 467		297 467	
RL Larson	442 126	189 827					631 953		631 953	
AT Nzimande (Note 5)	100 215	25 780					125 995		125 995	
	3 635 930	1 495 369	–	–	–	–	5 131 300	–	5 131 300	–
Executive										
RG Jacob			4 821 624	1 269 239	137 630	601 878	6 830 371	1 516 156	8 346 527	731 021
AP Krull			3 557 424	933 026	138 331	443 853	5 072 634	963 539	6 036 173	
MZ Mkhize			3 310 776	1 037 249	230 337	413 022	4 991 384	727 123	5 718 507	267 509
	–	–	11 689 824	3 239 514	506 298	1 458 753	16 894 389	3 206 818	20 101 207	998 530
Prescribed officer										
DR Weisz (Note 7)			2 771 232	395 764	127 512	345 579	3 640 087	1 150 252	4 790 339	227 100
HT Molale (Note 6)			2 787 144	375 421	189 757	347 568	3 699 890	564 888	4 264 778	227 094
	–	–	5 558 376	771 185	317 269	693 147	7 339 977	1 715 140	9 055 117	454 194
	3 635 930	1 495 369	17 248 200	4 010 699	823 568	2 151 900	29 365 666	4 921 958	34 287 624	1 452 724

Note 1 The bonus payments reflected above are in relation to the 2018 year, paid in 2019.
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 ME Mkwanazi resigned Board with effect from 26 Aprill 2018. TP Leeuw was appointed chairman from this date.
Note 4 Directors' fees due to a shareholder nominee on the Hulamin Board are paid to the employer organisation and not to the nominee.
Note 5 AT Nzimande was appointed with effect from 26 April 2018
Note 6 HT Molale served as managing direct of Hulamin Extrusions to 28 February 2018 (2 months).
Note 7 DR Weisz served as managing direct of Hulamin Extrusions from 1 March 2018 (10 months).

Executive Committee members' remuneration (excluding acting executive committee members) during the 2018 financial year (Note 1)

	Cash package Rand	Bonus and performance related payments note 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	**19 910 146**	**4 426 008**	**859 185**	**2 103 554**	**27 298 893**	**5 195 000**	**32 493 893**	**871 900**

Note 1 Excluding executive directors and prescribed officer.
Note 2 The bonus payments reflected above are in relation to the 2018 year, paid in 2019.

(ii) Directors' and prescribed officer's remuneration during the 2017 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted note 2 Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi	574 876	374 138	–	–	–	–	949 014	–	949 014	–
LC Cele (Note 3)	108 144	45 834	–	–	–	–	153 978	–	153 978	–
VN Khumalo	216 629	167 332	–	–	–	–	383 961	–	383 961	–
TP Leeuw	344 570	218 502	–	–	–	–	563 072	–	563 072	–
AT Nzimande (Note 4)	139 682	84 768	–	–	–	–	224 450	–	224 450	–
NNA Matyumza	332 815	160 074	–	–	–	–	492 889	–	492 889	–
SP Ngwenya	193 604	83 978	–	–	–	–	277 582	–	277 582	–
PH Staude	269 200	116 142	–	–	–	–	385 342	–	385 342	–
GHM Watson	577 697	351 891	–	–	–	–	929 588	–	929 588	–
N Maharaj	210 564	138 076	–	–	–	–	348 640	–	348 640	–
CA Boles	190 234	172 534	–	–	–	–	362 768	–	362 768	–
B Mehlomakulu	152 117	65 920	–	–	–	–	218 037	–	218 037	–
RL Larson (Note 5)	233 114	235 818	–	–	–	–	468 932	–	468 932	–
G Zondi (Note 6)	–	13 500	–	–	–	–	13 500	–	13 500	–
	3 543 246	2 228 507	–	–	–	–	5 771 753	–	5 771 753	–

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST CONTINUED

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted note 2 Rand	Total Rand	Gains on exercise of share options Rand
Executive										
RG Jacob			4 527 744	1 939 516	119 184	565 143	7 151 587	1 564 373	8 715 960	1 609 507
AP Krull			3 333 144	1 281 770	129 314	415 818	5 160 046	848 365	6 008 411	–
MZ Mkhize			3 102 228	943 774	215 380	386 954	4 648 336	789 476	5 437 812	598 066
	–	–	10 963 116	4 165 060	463 879	1 367 915	16 959 969	3 202 214	20 162 183	2 207 573
Prescribed officer										
H T Molale			2 629 668	782 612	177 408	327 884	3 917 572	668 958	4 586 530	445 059
	–	–	2 629 668	**782 612**	**177 408**	**327 884**	**3 917 572**	**668 958**	**4 586 530**	**445 059**
	3 543 246	2 228 507	13 592 784	4 947 672	641 287	1 695 798	26 649 294	3 871 172	30 520 466	2 652 632

Note 1 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.
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 LC Cele resigned from the Board with effect from 30 April 2017
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 AT Nzimande was appointed to the Board with effect from 1 April 2017
Note 5 B Larson was appointed to the Board with effect from 1 April 2017
Note 6 G Zondi is an Alternative Non-Executive Director who received an attendance fee for one meeting.

(iii) Executive Committee members' remuneration (excluding acting Executive Committee members) during the 2017 financial year (note 1):

	Cash package Rand	Bonus and performance related payments note 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	12 212 908	3 412 873	573 550	1 522 489	17 721 820	3 055 861	20 777 681	1 887 166

Note 1 Excluding executive directors and prescribed officer.
Note 2 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.

8.3.2 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE-BASED INSTRUMENTS

(i) Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2011	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights granted in 2016	Number of rights granted in 2017	Number of rights at Dec 2017	Number of rights exercised in 2018	Number of rights lapsed in 2018	Number of rights at Dec 2018	Rights time constrained
Executive director											
RG Jacob	–	–	633 100	396 925	744 440	604 005	2 378 470	**–**	**396 925**	**1 981 545**	**1 348 445**
AP Krull		–	–	–	–	327 554	327 554	**–**	**–**	**327 554**	**327 554**
MZ Mkhize	261 503	241 172	201 780	138 555	313 573	304 817	1 461 400	**–**	**138 555**	**1 322 845**	**618 390**
	261 503	241 172	834 880	535 480	1 058 013	1 236 376	4 167 424	**–**	**535 480**	**3 631 944**	**2 294 389**
Prescribed officer											
DR Weisz	–	–	170 607	117 620	265 944	258 032	812 203	**–**	**117 620**	**694 583**	**523 976**
HT Molale	–	–	150 157	117 625	265 954	258 285	792 021	**–**	**117 625**	**674 396**	**524 239**
	–	–	320 764	235 245	531 898	516 317	1 604 224	**–**	**235 245**	**1 368 979**	**1 048 215**
Grant Price	R6,91	R4,01	R6,90	R8,20	R6.3						
Grant Date	25 May '11	27 May '13	24 April '14	23 April '15	22 April '16						

(ii) Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions

	Number of rights granted in 2015	Number of rights at Dec 2017	Number of rights exercised in 2018	Number of rights lapsed in 2018	Number of rights at Dec 2018	Rights time constrained	Number of rights at Dec 2018	Rights time constrained
Executive director								
RG Jacob	146 625	146 625	146 625	–	**–**	**–**		
MZ Mkhize	61 030	61 030	61 030	–	**–**	**–**		
	207 655	207 655	207 655	–	**–**	**–**		
Prescribed officer								
DR Weisz	51 809	51 809	51 809	–	**–**	**–**	**–**	
HT Molale	51 811	51 811	51 811	–	**–**	**–**		
	103 620	103 620	103 620	–	**–**	**–**		
Grant price	R8,20							
Grant date	23 April '15							

Notes to the group financial statements continued

for the year ended 31 December 2018

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 OFFICER'S OF THE COMPANY IN SHARE-BASED INSTRUMENTS CONTINUED

(iii) Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of rights at Dec 2017	Numbeer of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive director							
RG Jacob	48 875	–	48 875	**48 875**	**–**	**–**	**–**
AP Krull	–	145 370	145 370		**–**	**145 370**	**145 370**
MZ Mkhize	20 343	–	20 343	**20 343**	**–**	**–**	**–**
	69 218	145 370	214 588	**69 218**	**–**	**145 370**	**145 370**
Prescribed officer							
DR Weisz	17 270	–	17 270	**17 270**	**–**		
HT Molale	17 270	–	17 270	**17 270**	**–**	**–**	**–**
	34 540	–	34 540	**34 540**	**–**	**–**	**–**
Grant price	R8.20	R5.75					
Grant Date	23 April '15	1 May '16					

(iv) Employee Conditional Share Plan (bonus shares)

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	**117 649**	**–**	**–**	**117 649**	**117 649**
AP Krull	**78 538**	**–**	**–**	**78 538**	**78 538**
MZ Mkhize	**57 682**	**–**	**–**	**57 682**	**57 682**
	253 869	**–**	**–**	**253 869**	**253 869**
Prescribed officer					
DR Weisz	**39 259**	**–**	**–**	**39 259**	**39 259**
HT Molale	**52 006**	**–**	**–**	**52 006**	**52 006**
	91 265	**–**	**–**	**91 265**	**91 265**
Grant price	R6.22				
Grant date	26 July '18				

(v) Employee Conditional Share Plan (performance)

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	**321 279**	–	–	**321 279**	**321 279**
AP Krull	**199 660**	–	–	**199 660**	**199 660**
MZ Mkhize	**152 571**	–	–	**152 571**	**152 571**
	673 510	–	–	**673 510**	**673 510**
Prescribed officer					
DR Weisz	**125 183**	–	–	**125 183**	**125 183**
HT Molale	**128 275**	–	–	**128 275**	**128 275**
	253 458	–	–	**253 458**	**253 458**
Grant price	R6.22				
Grant Date	26 July '18				

(vi) Employee Conditional Share Plan (retention)

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	–	–	–	–	–
AP Krull	–	–	–	–	–
MZ Mkhize	–	–	–	–	–
	–	–	–	–	–
Prescribed officer					
HT Molale	**133 620**	–	–	**133 620**	**133 620**
	133 620	–	–	**133 620**	**133 620**
Grant price	R6.22				
Grant date	26 July '18				

(vii) Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2015	Number of rights at Dec 2017	Number of conditional awards at Dec 2018	Conditional awards time constrained	Conditional awards time constrained
Executive director					
RG Jacob	17 319	17 319	–	–	
	17 319	17 319	–	–	
Grant price	R6.84				
Grant date	8 May '15				

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST CONTINUED

8.3.3 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE CAPITAL

The aggregate holdings as at 31 December 2018 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2018	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	**903 432**	–	–	**903 432**
MZ Mkhize	**84 554**	–	–	**84 554**
	987 986	–	–	**987 986**
Non-executive				
CA Boles	**60 000**	–	–	**60 000**
PH Staude	**91 610**	–	–	**91 610**
GHM Watson	**27 763**	–	–	**27 763**
	179 373	–	–	**179 373**
Total	**1 167 359**	–	–	**1 167 359**

As at 31 December 2017	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	762 518	–	–	762 518
MZ Mkhize	124 554	–	–	124 554
	887 072	–	–	887 072
Non-executive				
CA Boles	60 000	–	–	60 000
PH Staude	91 610	–	–	91 610
GHM Watson	27 763	–	–	27 763
	179 373	–	–	179 373
Total	1 066 445	–	–	1 066 445

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

9.1 NET FINANCE COSTS

	2018 R'000	2017 R'000
Interest expense	**77 588**	80 704
Non-current borrowings interest	**14 178**	19 737
Current borrowings interest	**70 200**	82 455
Interest capitalised	**(6 790)**	(21 488)
Interest income	**(3 887)**	(3 079)
Net finance costs	**73 701**	77 625

9.2 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 tax assets against current income tax liabilities, and the deferred taxes relate to the same taxable entity and the same taxation authority.

	2018 R'000	2017 R'000
(a) Deferred tax asset		
At beginning of year	**21 152**	25 463
Tax (charged)/credited directly to equity	**(57)**	199
Statement of profit or loss:		
Current year charge	**(4 721)**	(924)
Prior year credit/(charge)	**1 536**	(2 862)
Deferred tax charge in other comprehensive income	**(851)**	(724)
At end of year	**17 060**	21 152
Comprising:		
Fixed assets	**–**	(9 973)
Retirement benefit obligations and other provisions	**17 053**	30 840
Other	**7**	285
	17 060	21 152
Deferred tax asset to be recovered after more than 12 months	**17 053**	16 981
Deferred tax asset to be recovered within 12 months	**7**	4 171
	17 060	21 152

The group has not recognised a deferred tax asset of R34.8 million relating to deductible temporary differences and unused tax losses as the profitability of recovery is uncertain,

	2018 R'000	2017 R'000
(b) Deferred tax liability		
At beginning of year	**578 568**	516 533
Tax charged directly to equity	**2 099**	3 408
Statement of profit or loss:		
Current year (credit)/charge	**(344 311)**	35 885
Prior year (credit)/charge	**(3 940)**	11 017
Deferred tax (credit)/charge in other comprehensive income	**(11 356)**	11 725
At end of year	**221 060**	578 568
Comprising:		
Accelerated tax depreciation	**272 915**	640 158
Provisions and leave pay accruals	**(95 580)**	(89 984)
Defined benefit fund	**37 481**	35 575
Share schemes	**(6 504)**	(11 952)
Hedging reserve	**(2 443)**	(6 587)
Derivative instruments – not designated as hedging instruments	**15 191**	11 071
	221 060	578 568
Deferred tax liability to be settled after more than 12 months	**(152 427)**	570 720
Deferred tax liability to be settled within 12 months	**373 487**	7 848
	221 060	578 568

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

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.

		2018 R'000	2017 R'000
South African normal taxation:			
Current			
Current year charge		**88 667**	84 223
Prior year under/(over) provision		**6 201**	(17 874)
Deferred			
Current year (credit)/charge		**(339 590)**	36 809
Prior year (over)/under provision		**(5 476)**	13 879
		(250 197)	117 038
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	(%)	**0.3**	–
Prior year over provision	(%)	**(0.2)**	(0.9)
Change in capital gains tax inclusion rate	(%)	**–**	0.2
Expenses not deductible for tax purposes	(%)	**(0.6)**	0.9
Income not taxable for tax purposes	(%)	**(0.3)**	(0.4)
Prior year deferred tax asset reversed	(%)	**(2.0)**	–
Deferred tax asset not recognised	(%)	**(0.8)**	–
Effective rate of taxation	(%)	**24.4**	27.8

9.4 LEASES

Leases are classified as finance leases or operating leases at the inception of the lease. The group has appropriately classified all leases as operating leases.

Rentals payable under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

	2018 R'000	2017 R'000
Operating lease commitments, amounts due:		
Not later than one year	**19 275**	19 379
Later than one year and not later than five years	**37 821**	34 194
	57 096	53 573
In respect of:		
Property	**6 870**	5 391
Plant and machinery	**50 226**	48 182
	57 096	53 573

The group leases forklift trucks and offices under non-cancellable operating lease agreements.

The leases have varying terms, escalation clauses and renewal rights.

9.5 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 the pension fund are disclosed below:

	2018 R'000	2017 R'000
Loan from pension fund (refer note 3.2)	**79 635**	72 736
Interest paid to pension fund	**6 899**	7 111

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.

9.6 FAIR VALUE MEASUREMENT

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This section provides information about the group's financial instruments, including:

- An overview of all financial instruments held by the group
- Specific information about each type of financial instrument

On 1 January 2018 (the date of initial application of IFRS 9,'Financial Instruments', the group's management assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The assessment did not identify changes in the categories of financial assets which largely comprise trade receivables and derivative instruments.

The group holds the following financial instruments:

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Derivatives applied under hedge accounting	Total
2018					
Financial assets					
Trade and other receivables	4.3	**1 530 279**	**–**	**–**	**1 530 279**
Derivative financial assets	7	**–**	**69 208**	**2 073**	**71 281**
Cash and cash equivalents	4.1	**525 981**	**–**	**–**	**525 981**
		2 056 260	**69 208**	**2 073**	**2 127 541**
Financial liabilities					
Trade and other payables	4.4	**1 380 209**	**–**	**–**	**1 380 209**
Borrowings	3.1,3.2	**819 783**	**–**	**–**	**819 783**
Derivative financial instruments	7	**–**	**21 383**	**12 628**	**34 011**
		2 199 992	**21 383**	**12 628**	**2 234 002**

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.6 FAIR VALUE MEASUREMENT CONTINUED

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Derivatives applied under hedge accounting	Total
2017					
Financial assets					
Trade and other receivables*	4.3	1 237 096	–	–	1 237 096
Derivative financial assets*	7	–	78 945	64 822	143 767
Cash and cash equivalents	4.1	111 472	–	–	111 472
		1 348 568	78 945	64 822	1 492 335
Financial liabilities					
Trade and other payables*	4.4	1 258 100	–	–	1 258 100
Borrowings	3.1,3.2	428 699	–	–	428 699
Derivative financial instruments	7	–	43 267	–	43 267
		1 686 799	43 267	–	1 730 066

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.

** See note 9.7 for details about restatements resulting from the correction of prior period error.*

9.7 RESTATEMENT OF FINANCIAL STATEMENTS

During the current financial year management revisited the methodology applied in calculating the hedge effectiveness of derivative instruments designated as hedging items. The reassessment of the methodology used to determine prospective hedge effectiveness has resulted in management identifying that the expectation of prospective effectiveness of commodity hedges did not exist and therefore the requirements to hedge account commodity derivative instruments were not satisfied.

Economically, the commodity hedging strategy is effective as it converts the metal purchase price to the price received on sale of the metal. In order to apply hedge account as envisaged in IAS 39, "Financial Instruments", the group has historically designated the sale, and not the purchase of the inventory, as the hedged item. As the accounting standard does not allow the components of the hedged item to be hedged individually the group is required to consider the movement in the full invoice price from the time of the forecast sale (at the point the metal is purchased) to the completion of the sale and compare this to the underlying hedging instrument (which only relates to the commodity portion of the sale). On reassessment of the methodology applied to determine prospective effectiveness management considered the historic movements in the other components of the invoice price (rolling margins, geographic premiums and transport costs) and found that historically volatility in these other components caused ineffectiveness in individual hedges.

Impact on the financial statements

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

Statement of financial position (extract)	31 Dec 2017 as originally presented R'000	Increase/ (decrease) R'000	31 Dec 2017 restated R'000
Hedge Reserve	11 530	28 469	39 999
Retained earnings	2 696 590	(28 469)	2 668 121
Statement of profit or loss (extract)			
Revenue	10 159 698	141 236	10 300 934
Other gains and losses	92 326	(180 776)	(88 450)
Income tax expense	(128 109)	11 071	(117 038)
Net profit for the year attributable to equity holders of the company	**332 232**	**(28 469)**	**303 763**
Statement of comprehensive income (extract)			
Items that may be reclassified subsequently to profit or loss:	**(3 976)**	**28 469**	**24 493**
Cash flow hedges transferred to income statement	(21 536)	45 501	23 965
Cash flow hedges created	16 014	(5 961)	10 053
Income tax effect	1 546	(11 071)	(9 525)

Basic and diluted earnings per share for the prior year have also been restated. The amount for the correction of both basic and diluted number of share was a decrease 9 cents and 8 cents respectively. The correction further affected the disclosures presented in notes 2.1, 2.3, 7 and 9.2.

The amounts disclosed above for the 2017 reporting period, and for the statement of financial position as at 31 December 2017 are before restatements for change in accounting policy disclosed in note 9.8.

9.8 CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note (b) below, IFRS 9 was generally adopted without restating comparative information in accordance with the transitional provisions. A retrospective adjustment is made in opening retained earnings on 1 January 2018. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. The line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(a) Impact on the financial statements continued

Statement of financial position (extract)	31 Dec 2017 after correction of error R´000	IFRS 15 adjustment R´000	31 Dec 2017 Restated R´000	IFRS 9 adjustment R´000	1 January 2018 R´000
ASSETS					
Non-current assets					
Deferred tax asset	21 152	–	21 152	57	21 209
Total non-current assets	3 536 943	–	3 536 943	57	3 537 000
Current assets					
Trade and other receivables	1 241 963	(4 867)	1 237 096	147	1 237 243
Total current assets	3 686 594	(4 867)	3 681 727	147	3 681 874
TOTAL ASSETS	**7 230 066**	**(4 867)**	**7 225 199**	**147**	**7 225 346**
EQUITY					
Retained earnings	2 668 121	–	2 668 121	147	2 668 268
Total equity	**4 648 677**	**–**	**4 648 677**	**147**	**4 648 824**
LIABILITIES					
Current liabilities					
Trade and other payables	1 262 967	(4 867)	1 258 100	–	1 258 100
Total current liabilities	1 628 054	(4 867)	1 623 187	–	1 623 187
Total liabilities	2 581 389	(4 867)	2 576 522	–	2 576 522
TOTAL EQUITY AND LIABILITIES	**7 230 066**	**(4 867)**	**7 225 199**	**147**	**7 225 346**

Statement of profit or loss and other comprehensive income (extract) **12 months to 31 December 2017**	Audited results as previously presented R´000	IFRS 15 adjustments R´000	Restated December 2017 R´000
Revenue from contracts with customers	10 300 934	2 597	10 303 531
Cost of sales of goods	(9 115 128)	–	(9 115 128)
Cost of providing services	–	(56 432)	(56 432)
Gross profit	1 185 806	(53 835)	1 131 971
Selling, marketing and distribution expenses	(450 277)	53 835	(396 442)
Net profit	303 763	–	303 763

(b) IFRS 9 *Financial Instruments* – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in IFRS 9(7.2.15) comparative figures have not been restated.

Management has elected to defer the implementation of the hedging component of IFRS 9 Financial Instruments and will continue to account for hedges utilising IAS 39's hedging guidance until management has finalised its revised hedging strategy and related documentation.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	R´000
Restated retained earnings 31 December 2017 – IAS 39	2 668 121
Decrease in provision for trade receivables – net of tax	147
Opening retained earnings 1 January – IFRS 9 (before restatement for IFRS 15)	2 668 268

(i) Impairment of financial assets

The group has trade receivables for sales of inventory and from the provision of transport services that is subject to IFRS 9's new expected credit loss model. The group was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the group's retained earnings is disclosed in the table in note (b) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance method for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group also covers all trade receivables through the Credit Guarantee Insurance Company (CGIC) and cover subject to an excess and first loss aggregate. 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.

1 January 2018	Current R´000	30 days R´000	60 days R´000	90 days R´000	120 days R´000	More than 120 days R´000	Total R´000
Export debtors							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	462 368	147 441	61 613	39 283	12 716	7 533	730 954
Loss allowance	–	–	–	–	–	–	–
Local debtors							
Expected loss rate	0.0%	0.4%	4.0%	7.0%	2.9%	21.7%	0.3%
Gross carrying amount	351 006	62 017	12 448	2 235	5 736	858	434 300
Loss allowance	24	273	500	156	164	186	1 303

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(b) IFRS 9 *Financial Instruments* – Impact of adoption continued

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Allowance on trade receivables R'000
At 31 December 2017 – calculated under IAS 39	1 507
Amounts restated through opening retained earnings	(204)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	1 303

The loss allowance increased by a further R4.0 million to R5.2 million during the 12-months to 31 December 2018. The increase would have been R3.7 million lower had the incurred loss model of IAS 39 been applied.

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

(c) IFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(i) Classification

On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted.

	Measurement category		Carrying amount		
Current financial assets	**Original (IAS 39)**	**New (IFRS 9)**	**Original (adjusted for IFRS 15) R'000**	**New R'000**	**Difference* R'000**
Trade receivables	Amortised cost	Amortised cost	1 053 432	1 053 579	147
Other receivables	Amortised cost	Amortised cost	26 036	26 036	–
Cash and cash equivalents	Amortised cost	Amortised cost	111 472	111 472	–
Derivatives	Held for trading	FVPL	143 767	143 767	–
Non-current liabilities					
Borrowings	Amortised cost	Amortised cost	108 000	108 000	–
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	921 663	921 663	–
Other payables	Amortised cost	Amortised cost	207 394	207 394	–
Borrowings	Amortised cost	Amortised cost	320 699	320 699	–
Derivatives	Held for trading	FVPL	43 267	43 267	–

* *The difference noted in this column is the result of applying the expected credit loss model introduced by the accounting standard, IFRS 9, "Financial instruments".*

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (derivative instruments not designated in a hedging relationship),
- Those to be measured at amortised cost (trade and other receivables, cash and cash equivalents, trade and other payables and borrowings); and
- Those instruments used for the purposes of hedging (derivative instruments designated in a hedging relationship).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. The group reclassifies debt investments when and only when its business model for managing assets changes.

(ii) Measurement

With the exception of trade receivables that do not contain a significant financing component for which the group has applied the practical expedient, the group initially measures a financial asset as its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line in the statement of profit or loss.
- **FVPL**: Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iii) Impairment

From 1 January 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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.

(d) IFRS 15 *Revenue from contracts with customers* – Impact of adoption

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. The adoption of IFRS 15 Revenue from contracts with customers requires the group to identify individual performance obligations. The group has determined that for certain export sales terms the group has two performance obligations, the sale of goods and the provision of transportation services. The group does not charge a margin on transportation services and therefore no impact on previously reported earnings before interest and tax is noted. In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

Statement of profit or loss and other comprehensive income (extract) **12 months to 31 December 2017**	IAS 18 reported value after correction of error R'000	Reclassification adjustment R'000	Recognition of service revenue previously included at 31 December 2016 R'000	Cut-off adjustment for transport still in progress at 31 December 2017 R'000	IFRS 15 carrying amount as at 31 December 2017 R'000
Revenue from contracts with customers	10 300 934	–	7 464	(4 867)	10 303 531
Cost of sales of goods	(9 115 128)	–	–	–	(9 115 128)
Cost of providing services		(53 835)	(7 464)	4 867	(56 432)
Gross profit	1 185 806	(53 835)	–	–	1 131 971
Selling, marketing and distribution expenses	(450 277)	53 835			(396 442)
Net profit	303 763	–	–	–	303 763

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(e) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies

(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 International Chamber of Commerce Terms of Trade, where applicable.

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. 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. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are not made on extended credit terms.

A receivable is recognised when control passes as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(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. As a consequence, 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.

Company statement of financial position
as at 31 December 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	5.1	**3 385 256**	3 338 248
Deferred tax asset	7.1	**17 060**	18 703
		3 402 316	3 356 951
Current assets			
Trade and other receivables	4.1	**–**	28 413
Income tax asset		**–**	1 689
		–	30 102
Total assets		**3 402 316**	3 387 053
EQUITY			
Stated capital	3.1	**1 877 597**	1 877 597
BEE reserve		**20 000**	20 000
Employee share-based payment reserve		**57 914**	71 176
Retained earnings		**1 384 917**	1 351 261
Total equity		**3 340 428**	3 320 034
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid provision	6.1	**60 902**	66 796
		60 902	66 796
Current liabilities			
Trade and other payables		**784**	223
Income tax liability		**201**	–
		985	223
Total liabilities		**61 888**	67 019
Total equity and liabilities		**3 402 316**	3 387 053

Company statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
Revenue from contracts with customer	2.1.1	**8 779**	7 692
Interest income	2.1.2	**113 650**	112 424
Administrative expenses	2.2	**(13 732)**	(14 469)
Operating profit		**108 697**	105 647
Taxation	7.2	**(30 434)**	(30 483)
Net profit for the year attributable to equity holders of the company		**78 263**	75 164

Company statement of comprehensive income

for the year ended 31 December 2018

	2018 R'000	2017 R'000
Net profit for the year attributable to equity holders of the company	**78 263**	75 164
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss	**3 895**	2 174
Remeasurement of post retirement medical obligation	**5 411**	3 020
Income tax effect	**(1 516)**	(846)
Total comprehensive income for the year attributable to equity holders of the company	**82 158**	77 338

Company statement of changes in equity
for the year ended 31 December 2018

	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 2016	1 877 597	55 852	20 000	1 322 424	**3 275 873**
Net profit for the year	–	–	–	75 164	**75 164**
Other total comprehensive income for the year after tax	–	–	–	2 174	**2 174**
Value of employee services of subsidiaries - net of forfeiture	–	32 966	–	–	**32 966**
Settlement of employee share incentives	–	(17 642)	–	–	**(17 642)**
Dividends paid	–	–	–	(48 501)	**(48 501)**
Balance at 31 December 2017	**1 877 597**	**71 176**	**20 000**	**1 351 261**	**3 320 034**
Net profit for the year	–	–	–	78 263	**78 263**
Other total comprehensive income for the year after tax	–	–	–	3 895	**3 895**
Value of employee services of subsidiaries - net of forfeiture	–	(4 031)	–	–	**(4 031)**
Settlement of employee share incentives	–	(9 231)	–	–	**(9 231)**
Dividends paid	–	–	–	(48 502)	**(48 502)**
Balance at 31 December 2018	**1 877 597**	**57 914**	**20 000**	**1 384 917**	**3 340 428**

Company statement of cash flow

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**A**	**138 732**	144 801
Net income tax paid		**(28 418)**	(29 391)
Post retirement medical aid benefits paid (note 6.1)		**(5 574)**	(5 461)
Net cash inflow from operating activities		**104 741**	109 949
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries		**(47 008)**	(43 806)
Net cash outflow from investing activities		**(47 008)**	(43 806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of employee share incentives		**(9 231)**	(17 642)
Dividends paid		**(48 502)**	(48 501)
Net cash outflow from financing activities		**(57 733)**	(66 143)
Net 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 profit		**108 697**	105 647
Adjusted for:			
Post retirement medical aid accrued expense (note 6.1)		**5 091**	5 766
Value of employee services of subsidiaries – net of forfeiture		**(4 031)**	32 966
Cash generated before working capital changes		**109 757**	144 379
Changes in working capital	**B**	**28 975**	422
Cash generated from operations		**138 732**	144 801
B: CHANGES IN WORKING CAPITAL			
Decrease in trade and other receivables		**28 413**	268
Increase in trade and other payables		**562**	154
		28 975	422

Notes to the company financial statements
for the year ended 31 December 2018

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 company 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.

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.

Changes in accounting estimates resulting from new information or new developments are recognised in the statement of profit or loss in the period they occur. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

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. The company has provided further information regarding the expected credit loss model applied in accordance with IFRS 9, "Financial Instruments" as part of note 5.1 of 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:

(i) Post-employment 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.

(ii) 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.

2. PERFORMANCE: 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.

Revenue is measured at the fair value of the consideration received or receivable.

Management and agency fees are recognised as the services are performed.

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.

2.1 EXPENSES BY NATURE

	2018 R'000	2017 R'000
Post retirement medical aid costs	**5 091**	5 766
Auditors' remuneration	**(103)**	154
Other costs	**8 744**	8 549
	13 732	14 469
Auditors' remuneration		
Audit fees	**120**	154
Expenses	**–**	–
Prior year over provision	**(223)**	–
	(103)	154
Directors' emoluments		
Non-executives fees	**5 131**	5 772
	5 131	5 772

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.

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.

Authorised

800 000 000 ordinary shares of no par value (2017: 800 000 000 ordinary shares of no par value)
31 477 333 A ordinary shares of no par value (2017: 31 477 333 ordinary shares of no par value)
36 072 000 B ordinary shares of no par value (2017: 36 072 000 ordinary shares of no par value)

The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

Notes to the company financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY MEASURES TO ASSESS GROUP LEVERAGE CONTINUED

3.1 SHARE CAPITAL AND SHARE PREMIUM CONTINUED

	2018 R'000	2017 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 ordinary shares of no par value (2017: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
Issued during the year : nil (2017: nil)	**–**	–
Closing balance: 319 596 836 ordinary shares of no par value (2017: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance and closing balance: 4 271 600 A1 and 26 755 733 A2 shares of no par value (2017 : 4 271 600 A1 and 26 755 733 A2 shares of no par value)	**59 656**	59 656
B ordinary shares		
Opening balance and closing balance: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2017 : 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
Total issued capital	**1 877 597**	1 877 597

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 2018, 6 801 529 unissued ordinary shares (2017: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

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.

	2018 R'000	2017 R'000
Dividends per share declared		
Final dividend: 18 cents on 319 596 836 ordinary shares (2017: 15 cents on 319 596 836 ordinary shares)	**57 527**	47 940
Final dividend: 18 cents on 4 721 600 A1 ordinary shares (2017: 15 cents on 4 721 600 A1 ordinary shares)	**850**	708
Total	**58 377**	48 648

The final dividend was declared subsequent to year end and therefore has not been provided for in the company financial statements.

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY

4.1 TRADE AND OTHER RECEIVABLES

Financial assets are initially measured at fair value plus transaction costs. Except for financial assets designated as fair value through profit or loss, in which case, these are expensed.

Loans and receivables, which include trade receivables, are subsequently measured at amortised cost less impairment losses, which are recognised in the income statement.

Financial assets carried at amortised cost are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. In particular, the trade receivables provision is established where there is objective evidence that the company will not collect all amounts due according to the original terms of receivables. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty.

	2018 R'000	2017 R'000
Financial assets		
Trade receivables	–	28 413

5. INVESTMENTS: INVESTMENTS 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 has applied the expected credit loss model in considering the loss allowance required at 31 December 2018. 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. Hulamin Operations Proprietary Limited has sufficient facilities available at financial year-end to repay the full loan balance on demand. The company is therefore not exposed to credit risk and no loss allowance has been provided for on the outstanding loan balance.

	2018 R'000	2017 R'000
Investment in shares in subsidiaries	**2 485 574**	2 498 523
Loan to subsidiary	**899 682**	839 725
	3 385 256	3 338 248

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

The effective interest rate on the loan to subsidiary for the year was 12,6% variable interest (2017: 13,7%).

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.

Notes to the company financial statements continued

for the year ended 31 December 2018

5. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES CONTINUED

The company holds the following direct and indirect investments:

Name	Country of incorporation	% Equity interest 2018	% Equity interest 2017	Principle activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	100	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	100	100	Dormant
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	100	100	Sales office
Isizinda Aluminium (Pty) Ltd*#	South Africa	38,7	38,7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	49	49	Manufacture of aluminium profiles

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

\# *Beneficial interest of 100%.*

** *Investment held by Hulamin Extrusions (Pty) Ltd.*

6. BENEFITS AND REMUNERATION: OUR INVESTMENT IN EMPLOYEES

6.1 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.

	2018 R'000	2017 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**60 902**	66 796
Liability in the statement of financial position	**60 902**	66 796
The liability can be reconciled as follows:		
Balance at beginning of year	**66 796**	69 511
Total expense accrued	**5 091**	5 766
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(1 841)**	(1 483)
Actuarial gains arising from changes in experience adjustments	**(3 570)**	(1 537)
Benefit payments	**(5 574)**	(5 461)
Balance at end of year	**60 902**	66 796

6. BENEFITS AND REMUNERATION: OUR INVESTMENT IN EMPLOYEES CONTINUED

6.1 POST-RETIREMENT MEDICAL AID BENEFITS CONTINUED

	2018 R'000	2017 R'000
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**5 091**	5 766
	5 091	5 766
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(1 841)**	(1 483)
Actuarial gains arising from changes in experience adjustments	**(3 570)**	(1 573)

Principal risks

Through its PRMA subsidy benefit, the group is exposed to a number of 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.
- 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:

		2018 R'000	2017 R'000
Principal financial assumptions:			
Discount rate	(%)	**10.50**	10.00
Future company subsidy rate – in service	(%)	**7.75**	8.15
Future company subsidy rate – pensioners	(%)	**8.05**	8.45
Sensitivity of future medical inflation rate			
1% increase in future medical inflation rate			
– effect on the aggregate of the service and interest costs		**476**	542
1% increase in future medical inflation rate – effect on the obligation		**4 531**	5 420
1% decrease in future medical inflation rate			
– effect on the aggregate of the service and interest costs		**(424)**	(479)
1% decrease in future medical inflation rate – effect on the obligation		**(4 040)**	(4 789)

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 2018 is 7.6 years (2017: 8.3 years).

	2018 R'000	2017 R'000
Estimated benefits payable by the company in the next financial year	**6 793**	6 660

Notes to the company financial statements continued

for the year ended 31 December 2018

7. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

7.1 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.

	2018 R'000	2017 R'000
DEFERRED TAX ASSET		
At beginning of year	**18 703**	19 953
Deferred tax in the statement of profit or loss:		
Current year charge (note 7.2)	**(127)**	(85)
Prior year over provision (note 7.2)	**–**	(319)
Deferred tax credit on other comprehensive items	**(1 516)**	(846)
At end of year	**17 060**	18 703
Comprising:		
Post-retirement medical aid provision	**17 053**	18 703
Other	**7**	–
	17 060	18 703
Deferred tax asset to be recovered after more than 12 months	**17 053**	18 703
Deferred tax asset to be recovered within 12 months	**7**	–
	17 060	18 703

7.2 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.

		2018 R'000	2017 R'000
South African normal taxation:			
Current			
Current year		**30 510**	30 049
Prior year (over)/under provision		**(203)**	30
Deferred			
Current year (note 7.1)		**127**	85
Prior year under provision (note 7.1)		**–**	319
		30 434	30 483
Effective rate of taxation	(%)	**28**	28

7. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

7.3 RELATED PARTY TRANSACTIONS

During the year the company, in the ordinary course of business, entered into the following related party transactions:

	2018 R'000	2017 R'000
Interest received from subsidiary	**113 650**	112 424
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**8 675**	7 588

Transactions with non-executive directors are detailed in the group annual financial statements.

	2018 R'000	2017 R'000
The following balances were outstanding at the end of the reporting period:		
Loan balance owing by subsidiary (note 5.1)	**899 682**	839 725

Shareholder information

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Shareholder information

Hulamin's single largest shareholder is the Industrial Development Corporation

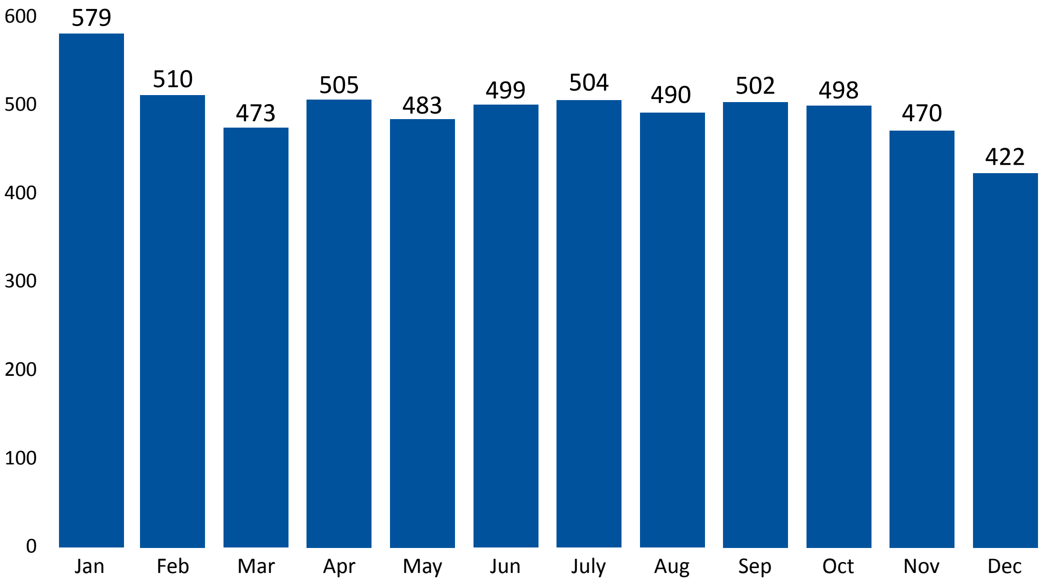
30% **Shares held by the largest single investor**

Analysis of shareholders

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
ORDINARY SHAREHOLDERS				
1 – 1 000	2 694	52,75	689 122	0,22
1 001 – 10 000	1 579	30,92	6 689 692	2,09
10 001 –100 000	659	12,90	21 757 119	6,81
100 001 – 1 000 000	129	2,53	42 706 619	13,36
Over 1 000 000 shares	46	0,90	247 754 284	77,52
	5 107	100,00	319 596 836	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	6	0,12	95 755 313	29,96
Directors of the company	5	0,10	1 167 359	0,36
Strategic holding (more than 10%)	1	0,02	94 587 954	29,60
Public shareholders	5 101	99,88	223 841 523	70.04
Total listed shareholders	5 107	100,00	319 596 836	100,00
BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL				
Industrial Development Corporation			94 587 954	29,60
Investec			22 602 815	7,07
36 ONE Asset Management			17 688 595	5,53
Laurium Capital			16 147 849	5,05
Total			151 027 213	47,25
A AND B ORDINARY SHAREHOLDERS (refer to note 3.4 in the annual financial statements)				
Hulamin ESOP				
A1 ordinary (voting and beneficial)			4 721 600	6,99
A2 ordinary (voting and beneficial)			26 755 733	39,61
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

Share price

Hulamin volume weighted average share price by month during 2018 (cents per share)



Shareholders' diary

Financial year-end			31 December
Annual general meeting			April
Reports and profit statements	Interim results		August
	Annual results and final dividend declaration		March
	Annual financial statements		March
Dividend	Final	Declared	March
		Paid	April

Notice of annual general meeting

Hulamin Limited

Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
(“**Hulamin**” or “**the company**” or “**the group**”)

Notice is hereby given that the 79th annual general meeting of shareholders will be held at the company’s offices, Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal on Wednesday, 15 May 2019 at 15:00, to conduct the business set out below and to consider and, if deemed fit, adopt, with or without modification, the ordinary and special resolutions set out in this notice. Note that all special resolutions, in terms of the Companies Act, No 71 of 2008, as amended (“**the Companies Act**”), require 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at this meeting, to be cast in favour of the resolution for it to be adopted and all other resolutions require the support of the majority being more than 50% (fifty percent) of votes cast by shareholders present or represented at this meeting in order for them to be adopted, unless otherwise noted.

Salient dates

The following dates apply to the Annual General Meeting:

Record date for the receipt of notice of the Annual General Meeting in terms of section 62(3)(a), as read with section 59(1)(a) of the Companies Act, 2008 (Act 71 of 2008), as amended (“Companies Act”)	Friday, 29 March 2019
Last day to trade in order to be eligible to participate and vote at the General Meeting	Monday, 6 May 2019
Record Date in order to attend and vote at the Annual General Meeting being the voting record date set by the Board (in terms of section 59(1)(b) of the Companies Act)	Friday, 10 May 2019

Annual financial statements

The annual financial statements of the company for the year ended 31 December 2018, including the reports of the directors, the independent auditors and the Audit Committee will be presented at the meeting. The annual financial statements are set out on pages 108 to 187 of the 2018 Integrated Annual Report of which this notice forms part and copies of the 2018 Integrated Annual Report have been distributed to relevant shareholders. The 2018 Integrated Annual Report is available on the company’s website, http://ir.hulamin.com/financial-reports#

Proposed ordinary resolutions

1. To authorise the directors to appoint Ernst & Young as the independent registered auditors of the company who will undertake the audit of the company for the ensuing year, with Mr Sifiso Sithebe as the individual designated auditor of the company.

   The group Audit Committee has recommended their appointment as independent registered auditors of the company.

2. To re-elect the following directors who retire in accordance with Article 33.11 of the company’s Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually (Mr CA Boles, Mr TP Leeuw, Mr N Maharajh, Mr MZ Mkhize and Mr GHM Watson). The profiles of the directors eligible for re-election appear below.

   2.1 **CHARLES ALEXANDER BOLES** (49)

   - Non-executive director
   - Member of the Remuneration and Nomination Committee and a member of the Audit Committee
   - CA(SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA (Cum Laude)

   Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has experience in finance, investments and private equity. He was formerly a director of First Lifestyle Holdings Limited and is currently a director of Interwaste Limited. Charles was appointed to the Hulamin board on 1 October 2016.

   2.2. **THABO PATRICK LEEUW** (55)

   - Independent non-executive chairman
   - Member of the Risk and SHE Committee; and member of the Remuneration and Nomination Committee
   - Chief Executive Officer: Thesele Group (Pty) Limited
   - BCom (Accounting); BCompt (Hons); Management Advancement Programme

   Thabo is the chief executive and founder shareholder of Thesele. He served articles at Deloitte & Touche, and has held several financial management positions and also worked as an investment banker with Cazenove plc. He is non-executive chairman of ICAS Southern Africa (Pty) Limited and a non-executive director of Prudential Investment Managers SA, non-executive director of Rhodes Food Group and a member of the Eskom Pension and Provident Fund’s Strategic Investment Committee. He was also appointed a director of Leopard Transport Proprietary Limited (trading as Elite Truck Hire) with effect from October 2016. He was appointed to the Hulamin Board in 2007.

   2.3 **NARAN MAHARAJH** (52)

   - Non-executive director
   - Chairman of the Audit Committee; and Member of the Risk and SHE Committee
   - Director of BCA Inc.
   - CA(SA)

Naran is a practicing chartered accountant and a director of BCA Inc. He completed his accounting training with PWC. He was then appointed as a lecturer in the department of Accountancy at the University of KwaZulu-Natal. He was one of the founding partners of KMMT Brey. In 1999 the firm merged with KPMG and Naran was appointed as a director of KPMG. In 2007 he left KPMG to set up BCA Inc- a firm specialising in providing audit, accounting and business advisory services. He currently serves a director of Comair Limited. He is also a member of the Council of the University of KwaZulu-Natal and chairman of the audit committee of the South African Sugar Association. He has previously served as non-executive director of Mercedes-Benz South Africa Limited and Masonite Africa Limited. He was appointed to the Hulamin board on 1 September 2016.

2.4 **MOSES ZAMANI MKHIZE** (57)

- Managing Director: Hulamin Rolled Products (Pty) Limited
- Member of the Risk and SHE Committee
- BCom (Hons); Higher Diploma (Electrical Engineering)

Moses joined Hulamin in July 1982, was appointed Hot Mill production manager in 1989 and Foil Mill manager in 1994. In 1997 he became a director of Hulamin Rolled Products and in 2000 he was appointed a director of Hulett Aluminum and in 2007 of Hulamin. He is also a director of SASOL Limited and of a number of subsidiaries of Hulamin.

2.5 **GEOFFREY HAROLD MELROSE WATSON** (67)

- Independent non-executive director
- Member of the Remuneration and Nomination Committee; and the Risk and SHE Committee
- Director of companies
- BISc (Agr) University of Sydney; BEcon University of New England; Graduate Australian Institute of Company Directors

Geoff has held numerous senior executive positions in the aluminium and steel industries. Geoff retired in 2016 as Director Asian Sales and China business development of United Company RUSAL, which is the world's largest producer of aluminium. He was an executive associate of Seema International in 2010 and CEO of Steelforce Australia in 2009 and held numerous positions at Alcoa Rolled Products from 1976 to 2008 which included Vice President China, General Manager Alcoa Bohai, China, Director of Operations, Alcoa Kaal, Australia and General Manager Asian Business Development. He was appointed to the Hulamin board with effect from 1 August 2011.

3. To elect the following independent non-executive directors as members of the group Audit Committee and to appoint Mr N Maharajh as chairman of the group Audit Committee. Motions for election will be moved individually.

3.1 **MR N MAHARAJH** (Chairman) (subject to the adoption of 2.3 above)

3.2 **MR CA BOLES** (subject to the adoption of 2.1 above)

3.3 **MS NNA MATYUMZA**

Ms NNA Matyumza's profile is set out below. The profiles of the other directors eligible for re-election, i.e. Messrs CA Boles and N Maharajh, appear under item 2.1 and 2.3 above.

NOMGANDO NOMALUNGELO ANGELINA MATYUMZA (54)

- Independent non-executive director
- Chairman of the Remuneration and Nomination Committee, and a member of the Audit Committee
- Ordained Minister of Religion
- BCom; BCompt (Hons); CA(SA); LLB

Nomgando has held various positions in financial and general management and was employed between 1994 and 2004 at Transnet Pipelines, firstly as financial manager and then as deputy CEO. From 2004 to 2008 she was employed at Eskom Distribution as general manager for the Eastern Region. Nomgando is presently an ordained Minister of the African Methodist Episcopal Church at Umlazi, KwaZulu-Natal. She is a director on a number of boards, including SASOL Limited, and Standard Bank Group Limited. She was appointed to the Hulamin Board with effect from 1 March 2010.

4. PROPOSED SPECIAL RESOLUTIONS

4.1 **APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES**

Directors' fees were approved at the annual general meeting held on 26 April 2018 and are applicable for the 12-month period ending 31 July 2019.

The Board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2019, be as set out below.

SPECIAL RESOLUTION NUMBER 1

"Resolved as a special resolution that the proposed fees, set out above, payable to non-executive directors for their services as directors on the Board and on Board Committees and as invitees to board committees, when invited by the chairman of the Board Committee to attend a meeting as an invitee, for the 12-month period commencing 1 August 2019, be and are hereby approved."

Role		Present fees to 31 July 2019 Annual retainer Rand	Present fees to 31 July 2019 Attendance per meeting Rand	Proposed fees from 1 August 2019 Annual retainer Rand	Proposed fees from 1 August 2019 Attendance per meeting Rand
Chairman of the Board		454 680	38 970	**477 410**	**40 920**
Member of the Board		166 140	14 240	**174 450**	**14 950**
Chairman of the audit committee		119 570	17 080	**125 550**	**17 930**
Member of the audit committee		69 480	9 930	**72 950**	**10 430**
Invitee of the audit committee			9 930		**10 430**
Chairman of the risk and safety, health and environment committee		82 560	11 790	**86 690**	**12 380**
Member of the risk and safety, health and environment committee		45 310	6 480	**47 580**	**6 800**
Invitee of the risk and safety, health and environment committee			6 480		**6 800**
Chairman of the Remco		82 560	11 790	**86 690**	**12 380**
Member of the Remco		45 310	6 480	**47 580**	**6 800**
Invitee of the Remco			6 480		**6 800**
Chairman of the transformation, social and ethics committee		82 560	11 790	**86 690**	**12 380**
Member of the transformation, social and ethics committee		45 310	6 480	**47 580**	**6 800**
Invitee of the transformation, social and ethics committee			6 480		**6 800**
Chairman of an *ad hoc* Board committee		82 560	11 790	–	**12 380**
Member of an *ad hoc* Board committee		45 310	6 480	–	**6 800**
Invitee of an *ad hoc* Board committee			6 480		**6 800**
Fees for international NEDs	(€)	30 797	2 638	**31 320**	**2 680**
Fees for international NEDs	($)	31 163	2 670	**31 720**	**2 720**

As regards the attendance fee, the Board of Directors typically holds five meetings a year and normally three meetings of the Remuneration and Nomination Committee and each of the other sub-committees of the Board are held each year.

Shareholder approval is also requested to remunerate non-executive directors who participate in a specially constituted ad hoc Board sub-committee as detailed in the table above, and to remunerate non-executive directors who attend a board sub-committee meeting as an invitee at the request of the chairman of the Board sub-committee.

5. FINANCIAL ASSISTANCE

In terms of the Companies Act, the Board may authorise the company to provide financial assistance to a related or inter-related company or corporation, provided such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements as set out in the Companies Act are met, amongst others, that the company meets the solvency and liquidity test. The Board seeks such approval from shareholders in order to provide financial assistance to the company's subsidiaries from time to time.

SPECIAL RESOLUTION NUMBER 2

"Resolved as a special resolution, subject to the provisions of section 45(2) of the Companies Act, that the provision of any financial assistance by the company to any company or corporation which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

6. GENERAL AUTHORITY TO REPURCHASE SHARES IN THE COMPANY

6.1. The reason for Special Resolution Number 3 is to grant the company's board of directors a general authority in terms of section 48(8) of the Companies Act and the JSE Listings Requirements, up to and including the date of the following annual general meeting of the company, to approve the acquisition by the company of its own shares, or to permit a subsidiary of the company or any trust controlled by the company to acquire shares in the company. The directors require this general authority in order to facilitate the repurchase of the company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the company and its shareholders.

SPECIAL RESOLUTION NUMBER 3

"Resolved as a special resolution that the board of directors is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, in terms of the provisions of the Listings Requirements of the JSE Limited ("**JSE**") and as permitted by the company's Memorandum of Incorporation, to approve the purchase by the company of its ordinary shares, and/or the purchase of ordinary shares in the company by any of its subsidiaries or any trust controlled by the company, upon such terms and conditions and in such amounts as the board may from time to time determine, but subject to the Memorandum of Incorporation of the company, the provisions of the Companies Act and the Listings Requirements of the JSE, when applicable, and provided that:

- the general repurchase by the company of ordinary shares in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the company's issued ordinary share capital as at the beginning of the financial year from the date of the grant of this general authority;
- any such repurchase of securities shall be implemented through the order book operated by the JSE trading system and without any prior understanding or arrangement between the company and the counter party;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the company will only appoint one agent at any point in time to effect any repurchase(s) on its behalf;
- general repurchases by the company and/or any subsidiary of the company and/or any trust controlled by the company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the repurchase of such ordinary shares is effected by the company and/or any subsidiary of the company and/or any trust controlled by the company;
- the company and/or any subsidiary of the company and/or any trust controlled by the company may not repurchase securities during a prohibited period, as detailed in the JSE Listings Requirements, unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- a SENS and press announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the company and/or any subsidiary and/or any trust controlled by the company has in terms of this general authority, repurchased ordinary shares constituting on a cumulative basis 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter."

6.2 STATEMENT OF DIRECTORS

Shares repurchased by the company and/or any subsidiary of the company and/or any trust controlled by the company may either be held in treasury, or cancelled and restored to the status of authorised and unissued shares in the company. The board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors have considered the effect of the maximum repurchase and are of the opinion that, for a period of 12 months after the date of the repurchase:

- the company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes; and
- a resolution by the Board of directors of the company has been passed authorising the repurchase and confirming that the company and its subsidiaries have passed the solvency and liquidity test as defined in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group.

6.3 MATERIAL CHANGES

Other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries between 31 December 2018 (being the last financial year end) and the date of this notice.

6.4 RESPONSIBILITY STATEMENT

The directors, whose names appear on page 30 of the Integrated Annual Report, jointly and severally accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Companies Act and the JSE Listings Requirements.

6.5 ADDITIONAL DISCLOSURES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

Other disclosures in terms of the JSE Listings Requirements are contained elsewhere in the Integrated Annual Report, of which this notice forms part, as follows:

- Major shareholders of the Company page 190
- Share capital of the Company page 182

7. REMUNERATION POLICY – NON-BINDING ADVISORY VOTE

The King IV Report on Corporate Governance and the JSE Limited Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the AGM. In accordance with the provisions of the JSE Listings Requirements, the company shall give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

"Resolved that the company's remuneration policy for financial year-ended 31 December 2018, as contained in the remuneration report set out on pages 86 to 92 of the2018 Integrated Annual Report of which this notice forms part, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

8. IMPLEMENTATION REPORT – NON-BINDING ADVISORY VOTE

"Resolved that the company's implementation report, as contained in the remuneration report set out on pages 92 to 95 of the2018 Integrated Annual Report of which this notice forms part, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

9. OTHER MATTERS

- Report back from the Transformation, Social and Ethics Committee on social and ethics matters pertaining to the company.
- To transact such other business as may be transacted at an annual general meeting.

Voting and proxies

Any shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant ("CSDP") and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such shareholder's stead.

Should any shareholder who holds dematerialised ordinary shares in the company and who has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such shareholder should timeously inform his CSDP or broker for the purposes of obtaining the necessary letter of representation from such shareholder's CSDP or broker to attend the annual general meeting or timeously provide such shareholder's CSDP or broker with such shareholder's voting instruction in order for the CSDP or broker to vote on such shareholder's behalf at the annual general meeting.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Shareholders are requested to forward the duly completed form of proxy to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) to be received by 15:00 on Monday, 13 May 2019. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement. The completion of a proxy form will not preclude a shareholder from attending the annual general meeting. Shareholders are encouraged to attend the annual general meeting. All meeting participants (including proxies) will be required to provide identification reasonably satisfactory to the chairman of the meeting. Acceptable forms of identification include valid identity documents, passports and driver's licences.

Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address below, to be received by the transfer secretaries by no later than 15:00 on Monday, 29 April 2019 in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided.

The company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder (or its representative or proxy). It should be noted, however, that voting will not be possible via the electronic facilities and shareholders wishing to vote their shares will need to be represented at the meeting either in person, by proxy or by letter of representation,
as provided for in the annual general meeting notice.

By order of the Board

Company Secretary

Pietermaritzburg
10 April 2019

Registered office
Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

ANNEXURE A

The chairman of the transformation, Social and Ethics Committee feedback report

The Chairman of the Transformation, Social and Ethics Committee, Mr VN Khumalo, advised that the following, *inter alia,* were discussed at the Transformation, Social and Ethics Committee meetings held during 2018.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act, King IV Code of Corporate Governance and the annual workplan
- Evaluation of the Transformation, Social and Ethics Committee
- Strategy on how Hulamin will achieve its transformation, social and ethics goals
- Employment equity targets and the progress made in achieving same
- Hulamin's BEE scorecard report and the impact of the new B-BBEE codes on Hulamin's score
- Environmental sustainability matters and Hulamin's carbon footprint
- Report on disputes and stakeholder engagement issues
- Report on Hulamin's contribution to the greater Pietermaritzburg area and Hulamin's granting of sponsorships, donations and charitable giving
- Report on the educational development of employees
- Report on labour regulatory compliance
- Assurance from the Risk and Safety, Health and Environment Committee that appropriate safety, health and environment policies are implemented
- Assurance on the implementation of Hulamin's compliance policies in customer dealings
- Review of the following codes and policies:
  - Stakeholder engagement policy
  - Code of ethics incorporating code of conduct and ethics pertaining to the procurement staff
  - Code of conduct for suppliers and service providers
  - Corporate compliance policy
  - Whistle blowing policy
  - Crimes involving dishonesty
  - Conflict of interest and gifts policy for employees.
- Noting the fraud policy and fraud prevention strategy approved by the Audit Committee.

In addition, the committee, whose terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to: social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the group.
2. The group complies with the Employment Equity and Black Economic Empowerment Acts. Specific targets have been set for the company to increase its levels of compliance with these Acts over the short- to medium-term.
3. The group complies with its Code of Ethics. The Code of Ethics of the group requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the Board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

Form of proxy

Hulamin Limited

Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the company" or "the group")

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Certificated shareholders and/or dematerialised shareholders with "own name" registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

The Board requests that completed forms of proxy are received at the office of the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by 15:00 on Monday, 13 May 2019. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement.

A shareholder entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead. A proxy need not be a shareholder of the company.

I/We (name in block letters)

of (address in block letters)

Contactable number (contact telephone number)

(Email address)

being the holder/holders of ordinary shares in Hulamin do hereby appoint

1. of (or failing him/her)

2. of (or failing him/her)

the chairman of the annual general meeting, as my/our proxy to attend and speak and to vote for me/us at the annual general meeting of the company to be held at 15:00 on Wednesday, 15 May 2019, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

Resolution		For	Against	Abstain
1.	Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor			
2.	Re-election of retiring directors:			
2.1	CA Boles			
2.2	TP Leeuw			
2.3	N Maharajh			
2.4	MZ Mkhize			
2.5	GHM Watson			
3.	Appointment of group Audit Committee members and N Maharajh as chairman of the group Audit Committee:			
3.1	N Maharajh as chairman			
3.2	CA Boles			
3.3	NNA Matyumza			
4.	Special resolution number 1: Approval of non-executive directors' fees			
5.	Special resolution number 2: Provision of financial assistance			
6.	Special resolution number 3: General repurchase of shares			
7.	Non-binding advisory vote – Remuneration policy			
8.	Non-binding advisory vote – Implementation report			

Signed at on this day of 2019

Signature Name

Assisted by me (where applicable) Capacity

Notes to the form of proxy

1. Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

SUMMARY IN TERMS OF SECTION 58(8)(b)(I) OF THE COMPANIES ACT, 2008, AS AMENDED

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

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

Moses Mabhida Road
Pietermaritzburg
3201

Postal address

PO Box 74
Pietermaritzburg
3200

Contact details

Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
Email: hulamin@hulamin.co.za

Securities exchange listing

South Africa (Primary)
JSE Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
PO Box 61051
Marshalltown
2107

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 Corproate Advisory Proprietary Limited
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2191
Telephone: +27 11 011 9200
Email: sponsor@questco.co.za
Website: www.questco.co.za

Directorate

NON-EXECUTIVE DIRECTORS

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*[1]
N Maharajh*
NNA Matyumza*
B Mehlomakulu (Dr)*
ME Mkwanazi, Chairman*[2]
SP Ngwenya
AT Nzimande*[3]
PH Staude*
GHM Watson*
GC Zondi (Alternate)

EXECUTIVE DIRECTORS

RG Jacob, Chief Executive Officer
AP Krull, Chief Financial Officer
MZ Mkhize, Managing Director: Hulamin Rolled Products

* *Independent non-executive directors*
[1] *Chairman with effect from 1 May 2018*
[2] *Resigned 30 April 2018*
[3] *Resigned 30 June 2018*

Company Secretary

W Fitchat
Email: willem.fitchat@hulamin.co.za

Corporate information and investor relations

BA Mngadi
Email: Ayanda.Mngadi@hulamin.co.za