INTEGRATED ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

HULAMIN

Think future. Think aluminium.

Hulamin is a key role-player in unlocking and enhancing the properties of aluminium for downstream fabrication

STAKEHOLDER FOCUS

GOVERNMENT

PROVIDERS OF CAPITAL

CUSTOMERS

SUPPLIERS

EMPLOYEES

COMMUNITIES

NAVIGATION

This icon refers you to our website for more information

This icon refers you to another page for more information

Our **integrated annual report** and **sustainability report** for 2016 is also available online at www.hulamin.co.za and on our Hulamin app (downloadable on the app store)

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About this report

This integrated annual report provides a concise review of how Hulamin creates sustainable value. It provides insight into the group's business model, changes in the external environment and the risks and opportunities that arise therefrom. The report details the strategic response of the group to these material issues and the group's governance structures which support the delivery of its strategic objectives.

The report provides stakeholders with a greater understanding of the reliance of the group's business model on financial, manufactured, intellectual, human, social and natural capitals. It also sets out the financial and non-financial performance of the group and the impact of the group's operations on these capitals and provides insight into the prospects and future outlook for the group.

The scope of this report includes Hulamin Limited and its subsidiaries, listed on page 12. The report covers the financial reporting period 1 January 2016 to 31 December 2016.

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

- International Integrated Reporting Framework, December 2013
- King Report on Corporate Governance (King III)
- 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 group.

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 the group. 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 2016 addresses all material issues and presents fairly the integrated performance of the organisation 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 2016 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.

Mafika Mkwanazi
Chairman

Richard Jacob
Chief Executive Officer

Content and assurance providers

Annual financial statements – PricewaterhouseCoopers Inc

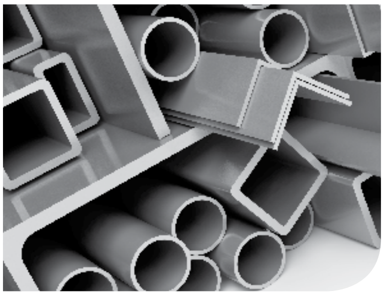
Review of internal controls – Ernst & Young Advisory Services (Pty) Ltd

BEE contributor level – AQRate Verification Services

Sustainability report (selected information) – KPMG Services (Pty) Ltd

HULAMIN

"Hulamin is one of the top twenty largest independent rolling mills in the world. Our Pietermaritzburg site produces 1% of global aluminium rolled product requirements



Think future. **Think** aluminium.


BEWARE OF
MACHINERY
MOTO

AN OVERVIEW

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Key performance indicators

FINANCIAL PERFORMANCE INDICATORS

R380 m
normalised earnings
up 115%

119 cents
basic HEPS
up 222%

R679 m
cash inflow from
operating activities
up 449%

15 cents
final cash dividend
declared

85 days
average inventory days
down 26%

232 kt
sales volumes
up 19%

NON-FINANCIAL PERFORMANCE INDICATORS

safety
record safety
performance achieves
global benchmark

production
improved
plant performance
with strong throughput and
increasing yields

scrap recycling
increased sourcing
in line with growth
in can body stock sales

Salient features

		2016	2015
FINANCIAL PERFORMANCE			
Revenue	R million	**10 099**	8 395
EBITDA[1]	R million	**808**	444
Operating profit	R million	**622**	295
Attributable earnings	R million	**385**	164
Headline earnings per share	cents	**119**	37
Normalised earnings[2]	R million	**380**	177
Return on capital employed[3]	%	**9,2**	4,7
Return on equity[4]	%	**9,3**	3,1
Net borrowings to shareholders' equity[5]	%	**13,3**	25,3
Net asset value per share	cents	**1 360**	1 206
Current ratio[6]		**2,9**	3,1
Cash flow before financing activities	R million	**415**	(420)
Capital expenditure[9]	R million	**328**	605
Sales volumes:			
Hulamin group sales volume	'000 tons	**232**	198
Rolled Products sales volume	'000 tons	**214**	180
ECONOMIC INDICATORS			
Average Rand/US Dollar exchange rate		**14,73**	12,76
SHARE STATISTICS			
Total shares in issue	million	**319,6**	319,6
Share price (closing)	cents	**535**	538
Market capitalisation	R billion	**1,7**	1,7
EMPLOYEES AND SAFETY			
Total number of employees		**1 934**	1 972
Employee cost to turnover	%	**10,4**	11,1
Skills development spending	R million	**38,8**	23,7
Lost time injury frequency rate		**0,03**	0,32
Total recordable frequency case rate		**0,27**	0,99
SOCIAL AND TRANSFORMATION			
B-BBEE expenditure	R billion	**2,2**	6,2
CSI spend	R million	**2,1**	2,8
Carbon emissions intensity[7]	MT CO_2e/MT production	**1,76**	1,92
Energy consumption intensity[8]	GJ/MT production	**11,68**	12,53
Water consumption intensity	KL/MT production	**2,66**	3,33

1 *Earnings before interest, taxation, depreciation and amortisation*

2 *Refer to note 22 to the group financial statements*

3 *Net operating profit after taxation (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed*

4 *Headline earnings expressed as a percentage of average equity*

5 *Current and non-current borrowings less cash, divided by equity*

6 *Current assets divided by current liabilities (excluding borrowings)*

7 *Using Eskom emission factor*

8 *Consumption of LPG and electricity*

9 *Before government grant received*

Five-year review

	2016 R'000	2015 R'000	2014 R'000	2013 R'000	Restated 2012 R'000
INCOME STATEMENT					
Revenue	**10 099 349**	8 394 986	8 038 918	7 560 007	6 541 997
EBIDTA[1]	**807 514**	444 141	659 988	527 209	407 573
Operating profit/(loss)	**621 514**	295 480	585 133	(1 805 371)	101 087
Net finance costs	**(86 696)**	(66 492)	(45 707)	(63 357)	(62 909)
Share of profits of associates and joint ventures	**–**	–	–	–	181
Profit/(loss) before tax	**534 818**	228 988	539 426	(1 868 728)	38 359
Taxation	**(149 885)**	(65 274)	(154 498)	523 769	(9 106)
Net profit/(loss) attributable to equity holders of the company	**384 933**	163 714	384 928	(1 344 959)	29 253
Headline earnings attributable to shareholders	**379 737**	119 261	358 355	183 005	78 921
BALANCE SHEET					
Property, plant, equipment, intangibles and investments	**3 332 586**	3 233 717	2 756 925	2 553 218	4 737 134
Retirement benefit asset	**117 397**	142 292	138 854	161 468	177 179
Deferred tax asset	**25 463**	20 260	25 450	27 815	33 632
Current assets	**3 480 992**	3 260 271	3 348 149	2 987 371	2 537 421
Total assets	**6 956 438**	6 656 540	6 269 378	5 729 872	7 485 366
Equity holders' interest	**4 346 688**	3 854 517	3 833 817	3 402 810	4 747 597
Borrowings: non-current and current	**652 444**	1 045 401	686 144	804 482	772 079
Deferred tax liability	**516 533**	486 765	477 702	405 311	962 518
Retirement benefit obligations	**258 879**	227 997	236 369	225 826	233 242
Current liabilities (excluding current borrowings)	**1 181 894**	1 041 860	1 035 346	891 443	769 930
Total equity and liabilities	**6 956 438**	6 656 540	6 269 378	5 729 872	7 485 366
CASH FLOW					
Net cash inflow/(outflow) from operating activities	**679 028**	123 775	518 046	282 958	98 392
Net cash outflow from investing activities	**(263 679)**	(543 329)	(335 358)	(147 666)	(26 045)
Net cash (outflow)/inflow from financing activities	**(405 393)**	233 401	(124 724)	27 912	(62 651)
Net cash increase/(decrease) for the year	**9 956**	(186 153)	57 964	163 204	9 696

HULAMIN

		2016 R'000	2015 R'000	2014 R'000	2013 R'000	Restated 2012 R'000
RATIOS AND STATISTICS						
Earnings						
Earnings per share	(cents)	**120**	51	120	(422)	9
Headline earnings per share	(cents)	**119**	37	112	57	25
Dividend per share*	(cents)	**15**	8	25	–	–
Dividend cover*	(times)	**7,9**	4,6	4,5	–	–
Profitability						
Operating margin[2]	(%)	**6,2**	3,5	6,7	4,2	2,8
Return on capital employed[3]	(%)	**9,2**	4,7	9,4	4,8	2,4
Return on equity attributable to shareholders[4]	(%)	**9,3**	3,1	9,9	4,5	1,7
Financial						
Net debt to equity[5]	(%)	**13,3**	25,3	11,4	18,0	15,6
Current ratio[6]		**2,9**	3,1	3,2	3,4	3,3
Liquidity ratio[7]		**1,4**	1,4	1,3	1,3	1,3

DEFINITIONS

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

[2] *Operating profit (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of revenue.*

[3] *Net operating profit after taxation (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed.*

[4] *Headline earnings expressed as a percentage of average equity.*

[5] *Current and non-current borrowings less cash divided by total equity.*

[6] *Current assets divided by current liabilities (excluding borrowings).*

[7] *Current assets (excluding inventories) divided by current liabilities (excluding borrowings).*

* *No dividends were declared in financial years 2012 and 2013. Dividend cover is calculated based on headline earnings.*

Note: 2012 was restated to reflect the effects of the change in accounting policy regarding employee benefits.

Hulamin group overview

Hulamin is a leading, mid-stream aluminium semifabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal and Midrand, Gauteng, 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. 60% of Hulamin's sales are exported to leading manufacturers around the world, focusing on specific product and end-use markets.

Hulamin is committed to the growth of the Southern African aluminium industry and to making a meaningful contribution to sustainable development in Southern Africa. Employing over 1 900 people, Hulamin contributes materially to the sustainability of the local Pietermaritzburg community.

HISTORY

The origin of Hulamin dates back to 1935 when the Aluminium Company of Canada Limited (Alcan) opened a sales office in South Africa, which was followed in 1940 by the registration of the Aluminium Company of South Africa (ALCOSA). During and after World War II, demand for semi-fabricated aluminium developed to the point where an aluminium rolling mill was opened in 1949 at the current Pietermaritzburg site.

GROWTH

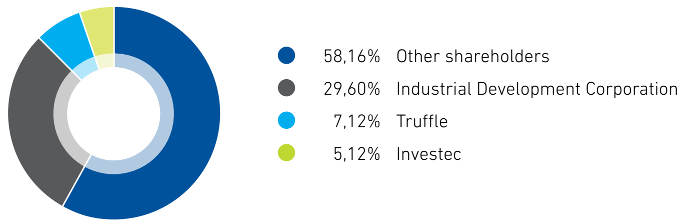
The company has grown and expanded its operations to cover a full range of rolled and extruded aluminium products.

Hulamin operates modern aluminium rolling equipment as a result of its two recent major expansion projects. The first was completed in 2000 at a cost of R2,4 billion and increased annual capacity to 200 000 tons.

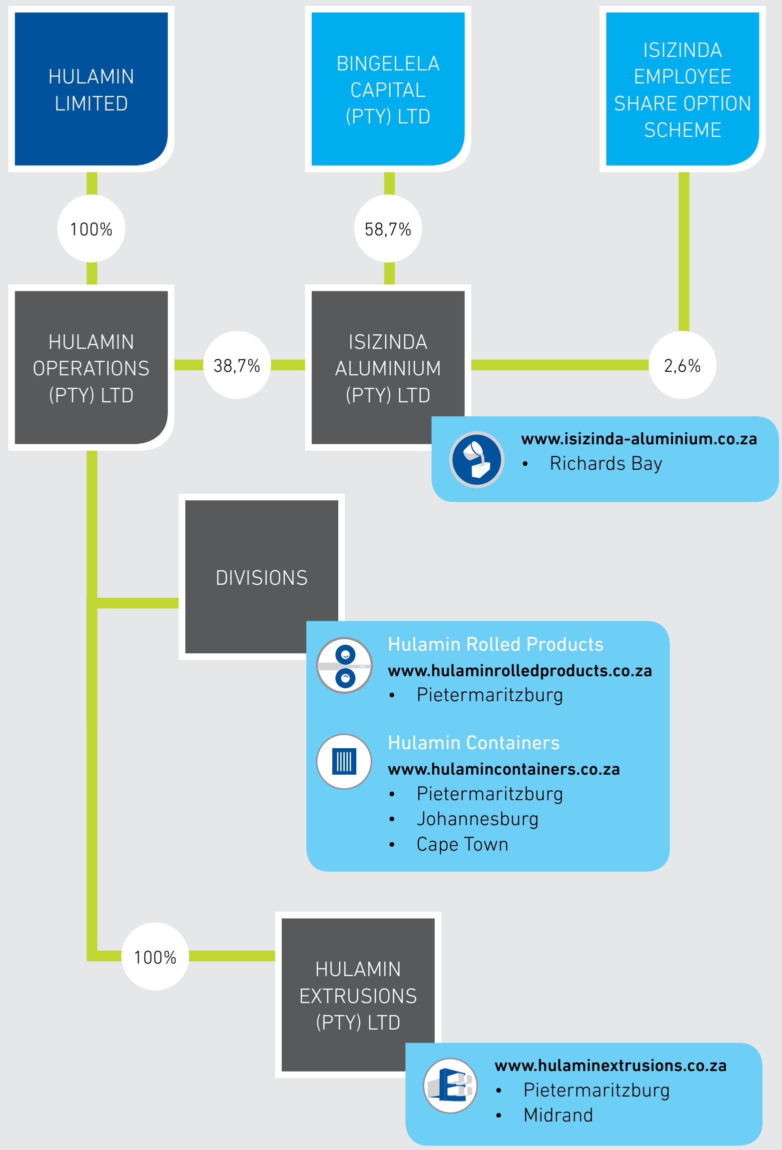
The second expansion project, completed in 2010 at a cost of R950 million further increased total capacity and that of higher-value products, thin gauge foil and heat-treated plate.

In 2007, Hulamin unbundled from Tongaat Hulett Limited and listed on the main board of the JSE in the Aluminium sub-sector of the Industrial Metals and Mining sector.

SHAREHOLDERS AT 31 DECEMBER 2016

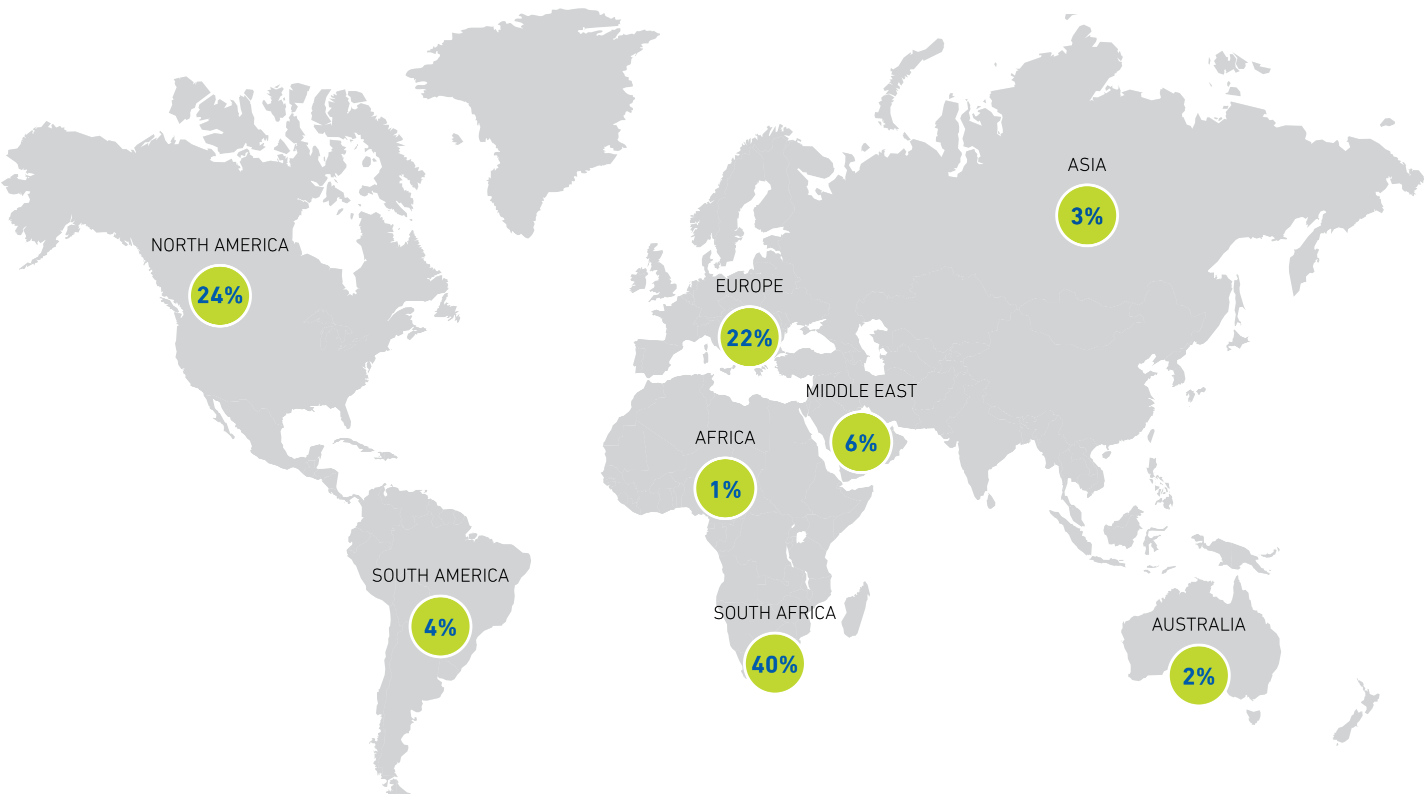


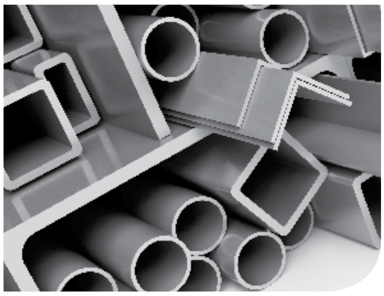
HULAMIN GROUP STRUCTURE



local business
global reach

GLOBAL REVENUE





Primary operating segments

The group is organised into two major operating divisions, namely Rolled Products and Extrusions which offer different core products and are the basis on which the group reports its primary segment information.

ROLLED PRODUCTS

Semi-fabrication and fabrication of rolled aluminium products

HULAMIN ROLLED PRODUCTS

PRINCIPAL ACTIVITIES

Hulamin Rolled Products is a modern, globally-competitive producer of a range of technologically sophisticated sheet, coil and plate products. Focusing on high-quality, tight tolerance and complex products, the Rolled Products business provides customers with a unique mix of technical expertise, high technology manufacturing capability and responsive customer service.

The Rolled Products operation, which is based in Pietermaritzburg, KwaZulu-Natal, includes remelting and recycling facilities, direct chill ingot casting, continuous casters, hot, cold and foil rolling mills and a range of further finishing processing lines.

KEY MARKETS

Hulamin Rolled Products is the only aluminium rolling mill in South Africa and supplies customers on all continents, with the majority of its products being exported to customers in North America, Western Europe and the Far and Middle East for use in the packaging, automotive and transportation, engineering, and building and construction markets.

KEY STRATEGIC FOCUS AREAS

- Operational performance
- Rolling slab and melting ingot supply
- Local market growth and opportunities
- Cost competitiveness
- Secondary melting processing
- Threat from imports

HULAMIN CONTAINERS

PRINCIPAL ACTIVITIES

Hulamin Containers, a downstream business in the rolled products segment, is South Africa's leading producer of rigid aluminium foil containers for the catering industry and for household use. Focusing on high-quality aluminium containers, the Containers business provides customers with a unique mix of technical expertise, product development and responsive customer service.

The Containers operation is based in Pietermaritzburg, KwaZulu-Natal, with sales and distribution offices in Johannesburg and Cape Town.

KEY MARKETS

Hulamin Containers supplies the local packaging and container market with a wide range of aluminium foil containers in both standard and custom shapes.

KEY STRATEGIC FOCUS AREAS

- Operational performance
- Local and international market growth and opportunities
- Threat from imports
- Cost competitiveness

ISIZINDA ALUMINIUM

PRINCIPAL ACTIVITIES

Isizinda Aluminium is an aluminium casting facility based in Richards Bay. Its current primary activity is to supply Hulamin Rolled Products with aluminium rolling slab.

KEY STRATEGIC FOCUS AREAS

- Cost competitiveness
- Liquid metal supply
- Developing the aluminium hub in Richard Bay

HULAMIN

EXTRUSIONS

Semi-fabrication of extruded aluminium products

HULAMIN EXTRUSIONS

PRINCIPAL ACTIVITIES

Hulamin Extrusions is a leading local supplier of aluminium extrusions. The business operates from two plants, one in Midrand, Gauteng and one in Pietermaritzburg, KwaZulu-Natal, with a sales office in Johannesburg.

KEY MARKETS

Hulamin Extrusions supplies the local engineering and architectural markets with a wide range of extruded aluminium profiles in both standard and custom shapes. Hulamin Extrusions also holds a 49% share in Almin Metal Industries Limited, a Zimbabwean extrusion-intensive business.

KEY STRATEGIC FOCUS AREAS

- Billet supply
- Threat from imports
- Market opportunities
- Cost competitiveness
- Secondary metal supply

GROUP

	Rolled Products R'000	Extrusions R'000
Revenue	9 237 127	862 222
EBITDA*	750 542	56 972
Normalised earnings	356 316	23 973
Total assets	6 663 575	292 863

** Earnings before interest, taxation, depreciation and amortisation.*

Think future.
Think aluminium.

For more information on our operating segments, refer to page 110.

Chairman's report

With its focus on sustainable performance, transformation and execution of its strategic plans, with particular focus on "building the assets of tomorrow", Hulamin is well placed to progress its growth, improvement and investment momentum into the future.

Mafika Mkwanazi *Chairman*

HULAMIN

AN OVERVIEW

To contribute to a new, sustainable economic order in South Africa that reflects the demographic reality of our country and that addresses poverty, inequality, social injustice and racism.

Hulamin has played important roles in the Pietermaritzburg, KwaZulu-Natal, South and Southern African communities for close to eighty years. These roles includes transforming the regional (aluminium) economy, investment in the training, education and development of local human capital, growing the local and provincial supplier base and contributing significantly to the national balance of payments through the exports of large volumes of beneficiated aluminium products.

Over the past year Hulamin performed at record levels across a range of measures. These include profits, safety, production and sales volume and unit costs. While this progress is particularly pleasing, Hulamin has also made excellent progress in other important areas of transformation, human capacity and capability.

TRANSFORMATION

The Board continues to place great value on the transformational role for Hulamin in South Africa. To this end, the company has committed to a goal for transformation:

"To contribute to a new, sustainable economic order in South Africa that reflects the demographic reality of our country and that addresses poverty, inequality, social injustice and racism."

Through the Transformation, Social and Ethics Committee, the Board of Directors oversees the implementation of this vision and the roadmap and plan that underpins it.

STRATEGY AND EXECUTION

The Board oversees an annual Hulamin strategic review and planning process. In 2016 the Board was satisfied that management had applied their minds to the evolving regional and global context for Hulamin and its stakeholders and how the business will need to respond. In 2016, management presented a modified version of the 2013 five pillar strategic plan that caters for growth, investment, sustainability and improvement for all Hulamin stakeholders. The Board will continue to hold management accountable for its execution in 2017 and the years ahead.

ALUMINIUM SUPPLY

Hulamin plays an important beneficiation role in the regional aluminium supply chain. The regional aluminium industry is supplied by the Hillside and Mozal aluminium smelters in Richards Bay and Maputo respectively. The technological benefits of aluminium creates value for manufacturers, fabricators and consumers in the packaging, building and construction, transport and automotive and other engineering industries in the region. Until a new long-term power supply contract is in place for the Hillside aluminium smelter, uncertainty will prevail, threatening investment, job creation and all other contributors to the sustainability of Hulamin and its stakeholders. The Board therefore encourages Eskom and South32 to reach agreement on the future supply of electricity to Hillside as soon as possible, to mitigate this serious risk to the sustainability of the industry. The Board has given guidance to management to allocate resources accordingly.

THE NATIONAL AND SOUTHERN AFRICAN CONTEXT

Being the largest beneficiator of aluminium in Africa, Hulamin has a great interest in the growth and progress of the aluminium and other manufacturing industries throughout the continent. The Board has provided strategic guidance in this regard and we are thus pleased with Hulamin engagements in Zimbabwe, Angola, Mozambique, Tanzania, Kenya, Malawi and Namibia.

SAFETY

In 2014 Hulamin brought in international management support to assist in uplifting performance in a range of operational areas. At the same time, the board has given management clear guidance of its zero tolerance for subjecting employees and other stakeholders to harm or injury while at work. The Board is therefore extremely pleased with the record and benchmark performance achieved in 2016. Hulamin achieved a Lost Time Injury Frequency (LTIFR) of 0.03 and a Total Recordable Case Frequency Rate of 0.27 in 2016. These indicators compare very favourably with best-in-class international benchmarks.

SUCCESSION

The board places great value on the development, growth and succession of Board members and management. Subsequent to the Hulamin listing in 2007, the tenure of a number of board members is approaching its end. The Hulamin board welcomed the appointment of Ms Boni Mehlomakulu, Mr Naran Maharajh and Mr Charles Boles in 2016 as part of the execution of its succession plans to ensure continuity and consistency as we prepare for the retirement of board members in the months and years ahead.

CONCLUSION AND OUTLOOK

The board is pleased with the improved business performance in 2016. With its focus on sustainable performance, transformation and execution of its strategic plans, with a particular focus on "building the assets of tomorrow", Hulamin is well placed to progress its growth, improvement and investment momentum into the future. The board looks forward to a bright future for Hulamin, where the business meets and exceeds the reasonable expectations of all its stakeholders.

Mafika Mkwanazi
Chairman

23 February 2017

Chief Executive Officer's report

Following improved performance in 2016, we are comitted to carry this momentum into future growth and ongoing performance improvement.

Richard Jacob *Chief Executive Officer*

> The Hulamin Rolled Products team improved safety performance and efficiencies after years of consistent effort in lean manufacturing, continuous improvement, process control and asset care. These improvements resulted in higher production throughput, improved yields, lower unit costs and higher volumes of our most profitable products.

In this report I describe the substantial progress achieved across most key measures achieved in 2016 as well as give some insights to our planning for the year ahead. After a year of consistent manufacturing performance, a weaker Rand against the US Dollar (particularly in the first half), strong sales and improved capital discipline and cash flows, our efforts at building on to the solid manufacturing performance in the second half of 2015 paid off handsomely. Although there were a number of notable changes to our management team, these passed seamlessly; the business performed more consistently than in almost any year in its history.

OVERVIEW OF 2016 OPERATIONS

Sales volumes for the year to 31 December 2016 totalled 232 000 tons, almost 20% higher than the corresponding period's 198 000 tons. This was split between Hulamin Rolled Products at 214 000 tons and Hulamin Extrusions' 18 000 tons. Disruptions to both electricity and gas supplies in 2015 impacted negatively on manufacturing output. Learning from the disruptions in 2015, we took extraordinary measure to mitigate likely disruptions to gas energy supply and benefitted from a year of few external disturbances. In addition, the Hulamin Rolled Products team improved efficiencies after years of consistent effort in lean manufacturing, continuous improvement, process control and asset care. These improvements resulted in higher production throughput, improved yields, lower unit costs and higher volumes of our most profitable products.

After a slow start to 2016, local sales of beverage can stock improved markedly during the year. In addition, we booked additional export can stock sales (largely to can makers in North Africa). This allowed us to source larger volumes of aluminium scrap and to increase the efficiency of the recycling plant, commissioned in 2015. Furthermore, we were able to support an increasing number of entrepreneurs who have entered the market for collecting, consolidating, transporting, processing and trading scrap aluminium.

During 2016, the operational benefits of having increased rolling slab supply flexibility from Isizinda Aluminium began to flow into Hulamin Rolled Products. The Isizinda team performed extremely well in 2016, increasing the volume of slab produced from 97 000 tons (annualised) in 2015 to 112 000 tons in 2016. The benefits of having the additional slab supply from Isizinda include lower inventory, more flexible scrap consumption, a wider product range, better yields and improved customer offerings.

Hulamin Extrusions and Hulamin Containers both performed consistently well in 2016. In Hulamin Extrusions, the business kicked off major turnaround actions including approving a powder coating investment and the repositioning of the business, driven by a revised "go-to-market" strategy.

CHANGES TO THE EXECUTIVE AND MANAGEMENT

In February, CFO David Austin, made us aware of his desire to pursue other interests.. After approximately three years leading the Hulamin finance team, at the end of April we said goodbye and wished him well in his new ventures. Anton Krull, who had been with us for a period of seven years prior to leaving at the end of December 2015 to progress his career, accepted our offer to return as CFO.

During 2014 and 2015, Hector Molale fulfilled the dual role of Group Executive, Corporate Affairs and Managing Director of Hulamin Extrusions. In 2016, we decided that the strategic challenges were such that an additional executive resource was justified and began the process of recruitment. In the preceding period, I decided to deploy Hector into the sole focus of the Hulamin Extrusions turnaround. I was particularly delighted thereafter when Ayanda Mngadi, who has strong roots in Pietermaritzburg, after spending many years in Government, accepted our offer to join Hulamin in June 2016 as the Executive for Corporate Affairs.

In January 2017, Clayton Fisher was appointed to the Hulamin Executive Committee to lead the areas of Strategy and Supply Chain. Clayton has been with the Hulamin for eight years in a range of sales, procurement and planning roles following a previous career experience in consulting.

During the year, we commenced a feasibility study for a large automotive investment. Such is the strategic magnitude and market priority of the project that focused high level sales/market resources are required. I therefore deployed Darryl Weisz, Rolled Products Sales and Marketing Executive into this project role. Ian Smith has been given temporary responsibility for the sales and marketing of Rolled Products during this period. At the same time, I also refocused Frank Bradford's role into strategic metal sourcing, ahead of the need to secure long term metal supply once the existing primary metal supply arrangements come to an end in 2019. Marlon Reddy has been given the operational responsibility for our metal operations on a temporary basis.

Chief Executive Officer's report continued

While I continue to lead all aspects of the organisation, including these strategic projects, Moses Mkhize will provide specific leadership in Rolled Products, and Rodney Green-Thompson has been given temporary operational leadership responsibility for our manufacturing operations. Paulinah Xaba, Mzimtsha Maku and Callum Stewart have been temporarily invited to attend and participate in strategic and operational business decision making.

We have also made appointment to and expanded the roles of the Management Committees in both Hulamin Extrusions and Hulamin Rolled Products. This expanded leadership team of skilled leaders have adapted particularly quickly. In addition to the functional benefits described above, I am convinced that their increased exposure and experience will benefit Hulamin for many years to come.

TRANSFORMATION

As one of South Africa's leading manufacturers and beneficiators of raw materials, we are particularly sensitive to our context. We find ourselves in a region and country plagued by inequality, social injustice and racism. At Hulamin we have gone through a period of serious self-reflection and concluded the following:

"As a listed corporate, we will contribute to a new, sustainable economic order in South Africa that reflects the demographic reality of our country and which addresses poverty, inequality, social justice and racism."

We are committed to driving this change from within.

A PLEASING SET OF FINANCIAL RESULTS

Turnover increased to R10,1 billion (2015 R8,4 billion) as a result of the stronger sales, weaker currency and firmer aluminium prices (in US Dollars). The Rand weakened by 15% to an average of R14.73/USD, increasing Rand revenues and improving Hulamin's international cost competitiveness (measured in US Dollars).

The price we pay for aluminium includes the US Dollar London Metal Exchange price as well as a relevant international geographic premium. After a massive decline in regional geographic premiums in 2015, these premiums remained stable during 2016. Hulamin is 50% exposed to movements in the US Dollar value of its aluminium inventory. This is known as the metal price lag effect which is reported in Rand. The LME Aluminium price began to firm in the second half of 2016, resulting in a full year metal price lag benefit of R50 million. In 2015 we reported a metal price lag loss of R161 million, a year-on-year positivemovement of R211 million.

Manufacturing costs in total were 14% higher than the prior year, as a result of local inflation, the increased volume and by higher US Dollar denominated costs such as gas, rolling oils and other metal related costs Variable and semi-variable cost components were driven higher by the 19% increase in sales and production volumes. Costs from the Isizinda joint venture were once again consolidated. Earnings before interest and taxation (EBIT) were 110% higher compared to the prior year.

Hulamin showed improved cash flows and capital discipline during 2016. A net cash inflow of R398 million reduced borrowings to a manageable level of R577 million. This improvement was underpinned by operating cash flow that amounted to R679 million. Capital expenditure amounted to R321 million. The total capital expenditure for 2016 included the final payments of R22 million relating to the recycling project. R57 million was received in 2016 from a government grant relating to the Manufacturing Competitiveness Enhancement Programme (MCEP) claim submitted in 2015.

IMPROVED OPERATING PERFORMANCE

Production volumes and efficiencies improved throughout the year, particularly in the second half. Although the ongoing productivity improvements contributed significantly to the increased sales and production volumes, we achieved important improvements across a number of measures. These include the two high priority measures of safety and yield/recovery.

In 2014, we identified opportunities to improve Hulamin's safety performance compared to international benchmarks. These improvements included inter alia risk mitigation actions focusing on pedestrian/moving equipment interface, working at heights, lock out/tag outs, behavioral safety and the safety of contract workers on the Hulamin sites. I am particularly pleased that the efforts of all Hulamin management resulted in exceptional performance in 2016. The Group achieved a Total recordable Incident Frequency Rate of 0.27 injuries per 200 000 working hours. The compares very favourably with "best in world".

The second area where we achieved great progress in 2016 was in the area of product quality and yield. Product yield is a measure of the ratio of the finishing mass sold to a customer divided by the starting mass into the manufacturing process, and is thus closely related to quality. As such it is a very good proxy for the efficiency of the entire process. An improvement in yield results in higher sales volume and lower unit cost and is therefore very beneficial. In this set of results, I am thus particularly pleased with the 5% year-on-year improvement in overall yield in Rolled Products, despite a more challenging product mix in 2016. This aggregate improvement was achieved thanks to numerous bottom-up improvement programmes including asset care and maintenance, process control, problem solving and continuous improvement etc.

STRATEGIC OUTLOOK

With improved performance in 2016, we have started looking at how to carry this momentum into future growth and sustainable performance improvement. A three pillar revision to the Hulamin Strategic plan was approved in 2016. These three pillars include:

a. **Strengthening the core (of the business)**
   The basis for long term performance and growth remains inside the operation. As a manufacturing business located in Southern Africa, much of the basis for future success will remain imbedded in the operations. Ensuring a low cost, high skilled technologically flexible operation will remain important as long as Hulamin is a beneficiator of aluminium.

b. Growing rolling margins

As the world continues to become more competitive, Hulamin focus on its customers and their needs will become increasingly important. We will increase our focus on improving rolling margins (selling prices). These reflect the value we provide to our customers and the choices we make about what customers to serve and what markets we choose to compete in.

c. Investing in assets of tomorrow

It is clear that the assets of the past will not be sufficient to build and grow our business into the future. We are considering a range of opportunities to significantly uplift our offering in terms of high value products, the service we offer our customers and the extent to which we differentiate ourselves from the competition. In our highly capital, skill and technology intensive business this clearly equates to people, equipment and know-how.

CONCLUSION

After a much improved year in 2016, The Hulamin management team and I are committed to Hulamin's sustainable growth and improvement. We look forward to the future with a business that is well placed to face the numerous challenges of our industry, country and world.

Richard Jacob
Chief Executive Officer

23 February 2017

HULAMIN

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The world of aluminium

PRIMARY ALUMINIUM PRODUCTION

BAUXITE MINING AND ALUMINA PRODUCTION

Bauxite mining

Aluminium production starts with the raw material bauxite. Bauxite is a mineral found mostly in a belt around the equator. Bauxite, containing 15% to 25% aluminium, is the only ore that is used for commercial extraction of aluminium today. Global bauxite resources are estimated to be 55 to 75 billion tons and at the current rate of extraction, these reserves will last 250 to 340 years. The majority of the global bauxite reserves can be found in Australia and Africa.

Alumina production

Aluminium oxide (alumina) is extracted from bauxite in a refinery. Alumina is then used to produce primary aluminium.

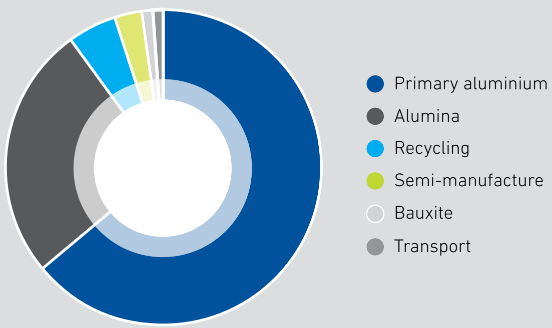
PRIMARY ALUMINIUM PRODUCTION

The production of primary aluminium takes place in large production lines. In the smelting process alumina is refined into aluminium. The aluminium atom in alumina is bonded to oxygen. These bonds have to be broken by electrolysis to produce aluminium metal. Alumina is transported in large containers called pots and is dissolved in an electrolytic bath. Liquid aluminium is drawn from the cells using specialised vehicles and is cast into ingots and billets for further processing.

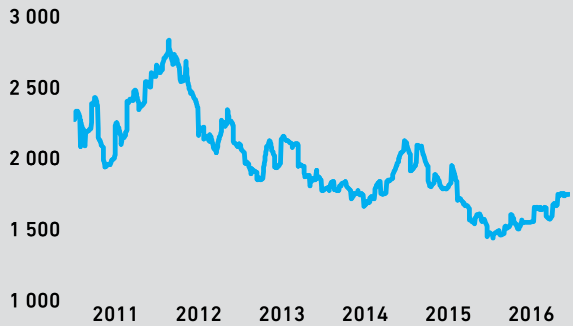
Aluminium is a global commodity traded on the London Metal Exchange (LME). The price moves according to global supply and demand.

The world's stock of aluminium in use is like a resource bank. Around 75% of aluminium ever produced is still in use, and some of it has been through countless recycle loops

CO_2 EMISSIONS IN THE PRODUCTION OF ALUMINIUM PROCESS



PRIMARY ALUMINIUM PRICE PER THE LME ($ per ton)



About 7% of the earth's crust is aluminium, making it the third-most abundant element by volume after oxygen and silicon.

Only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses.

SECONDARY ALUMINIUM PRODUCTION

CASTING OF ALUMINIUM VALUE-ADDED PRODUCTS

Aluminium casting

Primary aluminium is alloyed with other elements such as copper, manganese and silicon for additional strength, corrosion resistance and other properties. These are then cast into billets, remelt ingots, slabs, and rods and other castings for further processing.

Billet

These log-shaped castings are produced in various diameters and lengths using a vertical direct chill process. They are used for producing extrusions, also known as profiles, that find major end use in construction, industrial and transportation purposes, as well as for forging purposes in automotive industries.

Slab

These cuboid shaped ingots are the input to the rolling process and are produced using a similar technique to billet. Slab is used to produce rolled aluminium products.

SEMI-FABRICATION OF ALUMINIUM

Extruding

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

Rolling

Aluminium can be processed in a cold and hot condition. Aluminium is ductile. Final foil products can be as thin as 0,006 mm and still be completely impermeable to light, aroma or taste. The metal itself forms a protective oxide coating that is highly corrosion resistant. Various types of surface treatment can further improve these properties.

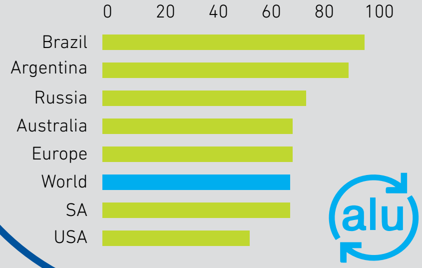
Foundry casting

The properties of aluminium change when small quantities of other metals are added to produce aluminium alloys. These can give greater strength, brilliance, corrosion resistance and ductility, making aluminium easier to form into an endless variety of products.

RECYCLING

- Aluminium is one of the most environmentally friendly metals in terms of how it is produced and applied. It can be easily recycled, whilst keeping its distinctive properties.
- Aluminium can be endlessly recycled without loss in quality (secondary aluminium production).
- Only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses (secondary aluminium production).
- The world's stock of aluminium in use is like a resource bank. Around 75% of aluminium ever produced is still in use, and some of it has been through countless recycle loops.

PROPORTION OF RECYCLED ALUMINIUM TO TOTAL CONSUMPTION



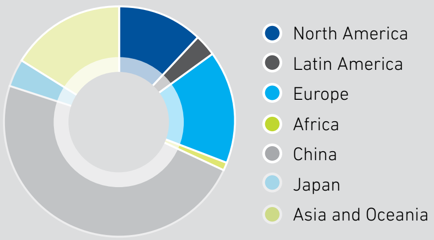
MANUFACTURING AND USE

Aluminium fabricated products are used throughout the world and throughout many different sectors.

In developed countries, the demand for aluminium comes mostly from the rapidly growing transport industry, that is driven by an expanding auto market. Mature countries typically use more aluminium in light vehicle production. Due to this low weight, aluminium makes cars more energy efficient.

Developing countries are expanding their infrastructure and food production to satisfy the needs of a growing population that is migrating to large cities. Consequently, the packaging and construction sectors are one of the biggest consumers of aluminium within developing countries.

GLOBAL CONSUMPTION OF ALUMINIUM PRODUCTS



The role of aluminium and Hulamin in South Africa

Aluminium is a driver of industrialisation, an enabler of innovation and a sustainable metal which is infinitely recyclable

SOUTH AFRICA'S ECONOMIC VISION

- Job creation (downstream fabrication development, recycling, mid-stream growth)
- Balance national accounts (export fabricated aluminium products rather than primary aluminium)
- Manage carbon footprint through aluminium's energy bank properties
- Environmental sustainability
- Growth in local downstream fabrication
- Transformation of the economy
- Achieve National Development Plan (NDP)/IPAP goals
- Human capital development
- Improve South African competitiveness
- Promote technology development
- Industry success/world-class aluminium supply package
- Investment opportunities

THE ROLE OF ALUMINIUM IN AN EMERGING ECONOMY LIKE SOUTH AFRICA

DRIVER OF ECONOMIC GROWTH AND CONTRIBUTOR TO NATIONAL ACCOUNTS

- Aluminium has a broad industry demand and can act as a catalyst for investment in a wide range of manufacturing applications
- As more aluminium is sold into the local economy, more aluminium can be recycled and reused. This stimulates investments in low-carbon recycling projects

ENERGY BANK

- Aluminium smelters are a substantial base load customer of Eskom and a beneficiator of the country's abundant coal reserves
- As local demand and supply of aluminium increases, more aluminium will be able to be recycled and reused, thereby placing less demand on the country's electricity resources
- Aluminium is infinitely recyclable, with little loss and degradation, and the recycling of aluminium has a very low energy footprint
- The use of aluminium promotes a reduction of carbon

KEY INPUT FOR FABRICATION

- Aluminium is a key input in a wide variety of industries and product applications
- A strong local supply industry will therefore facilitate investment in downstream fabrication as the region expands, thereby continuing to improve the competitiveness of South Africa and the region

SOURCE OF LIVELIHOOD

- Employment and subsistence (informal – scrap collection and formal)
- Entrepreneurship (strong aluminium supply industry supports the growth of new downstream businesses)

VEHICLE FOR TECHNOLOGICAL INNOVATION

- Aluminium has advantageous physical properties which are aligned with technological innovation
- Supports the development of endless applications

LEADER IN RECYCLING

- Major purchaser of scrap
- Reduce aluminium industry energy usage (closed-loop)
- Reduce aluminium industry carbon footprint
- Catalyst for the development of other recycling industries

HULAMIN

> Hulamin is the vehicle by which primary aluminium can be channelled into the downstream industry locally and regionally to be used in a broad range of product applications

HULAMIN'S ROLE IN DEVELOPING THE LOCAL ECONOMY

CREATOR OF ECONOMIC VALUE AND HUMAN CAPITAL DEVELOPER
- We contribute to national current accounts through the exportation of semi-fabricated aluminium
- A provider of employment, mentor and develop SMMEs
- We support and promote investment in downstream fabrication industries in South Africa
- We procure the majority of our goods and services from local markets

LEADER IN SOUTH AFRICAN ALUMINIUM VALUE CHAIN
- We are the largest supplier of aluminium raw materials to the South African manufacturing industry
- Promoter of the development and innovation of aluminium technology and use
- Being a strategic asset to South Africa we assist to promote and drive foreign direct investment in downstream manufacturing
- Our world-class asset base and knowledge unlocks the properties inherent in primary aluminium for use in a variety of industries and product applications
- Aluminium is 100% recyclable – we are a leader in recycling
- We promote the use of aluminium in the local economy

REGIONAL SOCIAL PARTNER/STABILISER
- We are committed to transformation/B-BBEE
- We support our economy in procuring the majority of our goods and services locally
- Social investment is key to the upliftment of our communities
- We are a major regional employer

EXPORT MANUFACTURER
- We are an earner of foreign currency and support the national current account

PREFERRED SUPPLIER OF ALUMINIUM MANUFACTURING INPUTS
- We are committed to supplying quality goods locally and internationally
- The development of aluminium products supports downstream industries – an enabler of economic growth

MAJOR PARTNER IN METALS SEMI-FABRICATION
- Technology – developer and partner in government support programmes
- A partner of government and other industry players to support the NDP vision

LEADER IN MANUFACTURING EXCELLENCE
- Developer and provider of skilled people
- Benchmark in metals processing

POSITIVE COUNTER TO ALUMINIUM SMELTING CARBON FOOTPRINT
- Stimulator of aluminium usage
- Leader in metals recycling in local economy

HULAMIN'S VISION AND RESPONSE TO DEVELOPING THE SOUTH AFRICAN ECONOMY

- Obtain low-cost, sustainable metal supply from smelters and aluminium scrap
- Increase local/regional sales
- Develop a focused product range – packaging, automotive and infrastructure sectors
- Secure a competitive energy/gas supply
- Establish recycling capability
- Progress B-BBEE and ownership transformation
- Procure support for aluminium as a strategic industry in the local economy
- Develop a platform for a growth phase (as the region expands and develops)

External environment, opportunities and threats

GLOBAL PRIMARY INDUSTRY

SITUATION AND TRENDS

- Global supply, driven by capacity in China, will continue to outstrip demand and temper increases in the LME aluminium price over the next five years
- Growing environmental concerns in China are however likely to result in closures of smelting capacity which will provide a level of support for LME aluminium pricing
- Low metal premiums have persisted since mid 2015 and have placed additional pressure on marginal smelters
- Global shift towards recycling scrap as an alternative input to primary aluminium continues to gain momentum

IMPACT, OPPORTUNITIES AND THREATS

1 Steadily increasing LME aluminium price and stable, relatively low, metal premiums provide stability in input costs and margins for rolled products producers

2 Shifting global trade dynamics increase uncertainty. Potential increase in tariffs on US imports of Chinese aluminium could result in increased exports from China into other regions, while opening opportunities for other players in the US market

SOUTH AFRICAN PRIMARY ALUMINIUM INDUSTRY

SITUATION AND TRENDS

- Stronger LME aluminium pricing provides support to local South 32 aluminium smelter in Richards Bay
- With electricity supply constraints in the country easing, local aluminium smelter has received significantly less negative media and public attention in the past year over its preferential electricity deal
- Local smelter exports the majority of primary aluminium in an unbeneficiated form, while the Bayside value-added products (VAP) casthouse is underutilised, leading to large-scale importation of aluminium VAPs by the local downstream industry at high costs
- Proposed carbon tax legislation may have a significant negative impact on the aluminium smelters which could potentially render them unviable; however, the local downstream industry, which is reliant on these smelters, is not carbon intensive

IMPACT, OPPORTUNITIES AND THREATS

3 Outlook for local aluminium smelter improving, but uncertainty still exists until new electricity deal finalised with Eskom

4 Developing an aluminium hub in Richards Bay to produce a range of value added products at the Bayside cast house would drive local beneficiation of aluminium in the country

SOUTH AFRICAN ECONOMIC AND POLITICAL ENVIRONMENT

SITUATION AND TRENDS

- Industrialisation remains a national priority. Government policy is seeking to restructure the economy toward more value-adding, labour intensive and inclusive growth
- Localisation (import substitution) and growth in beneficiated exports are key national objectives
- National focus on energy efficiency and recycling initiatives
- Aluminium consumption growth in the country driven by beverage can and automotive industries
- Automotive industry remains a key strategic industry in the country and one that will continue to receive government support
- South African government is becoming increasingly aware of the role for trade agreements and regulatory frameworks to protect and support the economy
- Labour costs escalating above inflation, combined with significant volatility and unrest in labour relations
- Availability and supply shortages of local LPG gas and increasing pricing. Opportunities to unlock lower cost, natural gas options (methane rich pipeline gas, LNG)

IMPACT, OPPORTUNITIES AND THREATS

5 Local cost base increasing above inflation (labour, electricity, LPG)

6 Scrap export legislation will continue to promote local processing of scrap for the benefit of local industry

7 Proposed carbon tax legislation will have a significant negative impact on smelters and could, in turn, severely impact downstream fabricators

8 Aluminium can play a significant role in supporting downstream fabrication and industrialisation, job creation, development of high-technology applications and industries and promoting reduced carbon intensity in the economy

9 Potential opportunity for development of local aluminium automotive body sheet supply capability in the country

GLOBAL ALUMINIUM SEMI-FABRICATION MARKET

SITUATION AND TRENDS

- Significant demand growth in packaging, transport and infrastructure applications driven largely by the growth in developing economies
- Significant growth in automotive consumption of rolled products in developed countries and ongoing development of new applications for aluminium
- Capacity expansion in low-cost regions such as China and Middle East resulting in global pricing pressure
- Trade politics continues to influence global flows of aluminium semi-fabricated products
- Global shift towards recycling scrap as an alternative input to primary aluminium gaining momentum

IMPACT, OPPORTUNITIES AND THREATS

10 Conversion margins under pressure due to additional capacity roll-out in low-cost and government incentivised regions

11 Increased global demand for secondary metal impacts on price and availability thereof

12 Increased pressure from imports on domestic manufacturing

13 Growth in demand for new and non-traditional applications for aluminium, such as consumer electronics and military markets

14 Significant growth in automotive sector for aluminium body panels

REGIONAL MARKET DEVELOPMENT

SITUATION AND TRENDS

- Rapid population expansion and urbanisation in sub-Saharan Africa resulting in increased infrastructure and transport spend growth, rising income levels and increasing consumer spend, leading to growing per capita spend on aluminium
- Ongoing efforts by African states to secure regional economic development and industrial integration

IMPACT, OPPORTUNITIES AND THREATS

15 Growing regional consumption of aluminium primarily in consumer applications and packaging, transport and construction/ infrastructure

16 Opportunities for increased investment in downstream fabrication industries in South Africa to capitalise on growth in the region

17 Increasing availability of aluminium scrap in the region

OPPORTUNITIES AND THREATS AFFECTING OUR VALUE DRIVERS

Value driver	Threats	Opportunities
Availability of capital and incentives		8
Conversion margins and metal prices	2, 10, 12	1
Primary ingot supply and costs (gas, electricity and labour)	5	
Price and availability of aluminium scrap inputs	11	6, 17
Availability of rolling slab		4
Availability of primary aluminium	3, 7	1
Local/regional market demand and mix		4, 8, 9, 13, 14, 15, 16
Export market demand and mix	2	4

Threats Opportunities

Strategic objectives

1 STRENGTHEN THE CORE (OF THE BUSINESS) TO COMPETE

Operational performance remains at the core of Hulamin's future success and growth. Manufacturing excellence and efficiency, customer satisfaction and strong margin and sales mix are all key drivers of operational performance, which will underpin the achievement of Hulamin's strategic vision.

Hulamin has made significant strides during 2016 on improving production volumes and efficiencies, product yields, safety performance and product quality and while continuing to build on these successes, will focus on the following additional operational improvement areas:

- Aggressively attack costs and develop cost-focused culture to offset inflation
- Improve customer on-time delivery performance by re-engineering the sales and operations planning approach
- Stabilise operational performance through improved risk management approach
- Improve central coordination and strategic analysis capability to drive key decision-making in the business

2 INCREASE ROLLING MARGINS

With increased global competition in aluminium rolled products, particularly out of China, Hulamin will focus more acutely on higher value product categories and markets, to steadily improve overall margins. This will be achieved by:

- Re-focusing on higher value products and markets to grow defendable niche positions
- Investing in capability and technical partnerships to develop new, higher value products
- Re-engineering route-to-market sales strategies to drive increased margins
- Improve centralised profitability and product mix optimisation capability
- Maximising the benefits of locally available aluminium scrap to drive lower metal costs and thus higher margins
- Continuing to drive increase in local and regional sales

3 INVESTING IN THE ASSETS OF TOMORROW

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 our sales mix to move further up the value curve. To achieve this, investments in new assets and capabilities are required that will allow us to significantly uplift our product offering.

In conjunction with the move towards a more high value product mix, Hulamin is investigating options to re-configure the asset base away from lower margin products.

Furthermore, as part of our transformation strategy, we are also looking at various opportunities to support the development of several upstream businesses in Richards Bay to grow the local beneficiation of primary aluminium into a range of value added products.

Refer to the reliance and impact on key capitals section on page 39 for more information on how the key capitals support the delivery of our strategy and how we have fared against our key performannce indicators.

KPIs

- Production volume growth
- Sales mix and margins
- Sustainable cost reduction
- Consistent and improving production, safety and quality performance

2016 INDICATORS

- Rolled Products sales volumes increased by 19% over 2015 to 214 000 tons
- 5% year-on-year improvement on overall yield in Rolled Products despite a more challenging product mix
- Conversion costs reduced by 4% on a unit basis
- Overall USD/ton margins reduced by 16%, impacted by weaker product mix and increased market competition.

Refer to page 80 for detail on the principal strategic risks associated with our strategic objectives

THE BUSINESS

KPIs

- Overall USD/ton sales margins
- Number of new high-value products launched
- Percentage high-value sales mix
- Percentage of metal inputs from recycled scrap

2016 INDICATORS

- Overall USD/ton margins reduced by 16%, impacted by weaker production mix and increased market competition
- Ramp up of can body stock product, however no new products launched in 2016
- Percentage rolled product high value mix of total rolled product sales reduced by 3%
- 7.5% of metal inputs from purchased scrap in 2016

KPIs

- Overall USD/ton sales margins
- Percentage high value products in sales mix
- Growth in local beneficiation of liquid primary aluminium
- Number of new high-value products launched

2016 INDICATORS

- Good progress has been made in identifying and scoping upstream business opportunities in Richards Bay for local aluminium beneficiation
- Renewed focus and resource allocation within Hulamin to drive new product development
- Potential investment and rationalisation projects have been identified and are being evaluated.

Key resources Hulamin relies on

FINANCIAL CAPITAL

Net debt to equity ratio: 13% (book value); 33% (market value)

EQUITY

- Book value: R4,3 billion; market value: R1,7 billion
- 30% non-public shareholders (Industrial Development Corporation)
- 70% public shareholders

BORROWINGS

- Net borrowings: R577 million
- Total committed three-year borrowing facilities of R1,55 billion (Nedbank) include a general 360-day facility of R250 million and a revolving working capital facility of R1,3 billion secured against inventory and receivables
- Net interest of R102 million accrued for the year ended 31 December 2016

CASH GENERATION

- Net cash inflow from operating activities for the year ended 31 December 2016: R679 million

MANUFACTURED CAPITAL

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

Remelt and Casting

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. In the third quarter of 2015, the recycling facility came online and is in the process of ramping up to full capacity.

Business model in brief

WHAT WE DO

Hulamin transforms primary aluminium into semi-fabricated products (rolled products 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.

METAL INPUTS

Hulamin remelts primary aluminium received from South 32's Hillside smelter, together with process and bought-in scrap, in its remelt and casting facilities to cast around two-thirds of its rolling slab and one-third of its extrusion billet requirements. The aluminium is alloyed with other materials, usually iron, silicon, zinc, copper, manganese and magnesium, to create metals with a wide range of different properties and strength characteristics.

One-third of Hulamin's rolling slab requirements is bought in from the Isizinda Aluminium Bayside casthouse.

Two-thirds of Hulamin Extrusion's extrusion billet requirements are imported following the decision by BHP Billiton in 2009 to cease supply of all value-added products apart from rolling slab. Aluminium slab and billet are the feedstock for the rolling and extruding processes respectively.

HULAMIN

SOCIAL, RELATIONSHIP AND INTELLECTUAL CAPITAL

GOVERNMENT

Government support for the aluminium industry, including government's stance on:

- Tariffs and duties in respect of competing imported semi-fabricated and finished aluminium products
- Benefits provided by the aluminium value chain in terms of beneficiating electricity

SUPPLIERS (METAL)

Relationship with South 32 in respect of the supply of primary aluminium melting ingot from Hillside and the supply of rolling slab from Isizinda Aluminium's Bayside facility.

SUPPLIERS (NON-METAL)

Relationship with key non-metal suppliers, including:

- Gas (LPG)
- Electricity
- Government (municipality, port, etc.)
- Maintenance, spares and consumables
- Rolling oils
- Paints and lacquers

CUSTOMERS AND MARKETS

Relationship with customers:

- Mainly export-based business due to small size of local market
- Increasing use of aluminium by local fabricators and industries, e.g. aluminium cans
- Customer risk spread in terms of geography and industry
- Mix of standard distributor products as well as specialised products supplied in terms of supply contracts
- Quality and on-time delivery increasingly critical components
- China and Middle East increasing capacity and capabilities and threatening both local and export markets

INTELLECTUAL

Extensive knowledge, technical skills and capabilities in respect of aluminium melting, casting, rolling, finishing and extruding.

NATURAL CAPITAL

LOCAL ALUMINIUM SMELTER

Reliance of the midstream and downstream aluminium industry on the utilisation by the aluminium smelter of scarce (and carbon intensive) electricity to produce primary aluminium.

HULAMIN OPERATIONS

Reliance of the remelt, casting, rolling and extruding operations of Hulamin on water, gas and electricity.

ALUMINIUM SCRAP

Increasing availability of customer and consumer aluminium scrap decreases reliance on the smelters, creates prospects of improved economic returns for the midstream and downstream participants in the aluminium value chain, facilitates the development of a strong aluminium collection and recycling industry which, in turn, creates jobs.

HUMAN CAPITAL

- Management and leadership skills and experience
- Key engineering, metallurgical and manufacturing experience and key competencies and capabilities

ROLLED PRODUCTS

In the rolling operation, aluminium slab is passed through a number of pairs of rolls to reduce its thickness down to plate material with thicknesses of 6 mm to 250 mm and further down as low as 2 mm for subsequent cold rolling to sheet and coil with thicknesses as low as 0,2 mm. Further rolling can produce the thinnest of foil with a thickness as low as 0,006 mm.

The rolling of cast aluminium changes its metallic structure and the metal takes on new characteristics and properties, with improved strength and ductility.

EXTRUDED PRODUCTS

The extrusion process involves a preheated billet being squeezed through an opening in a die forming the cross-section of the extrusion or profile.

OPERATING COSTS

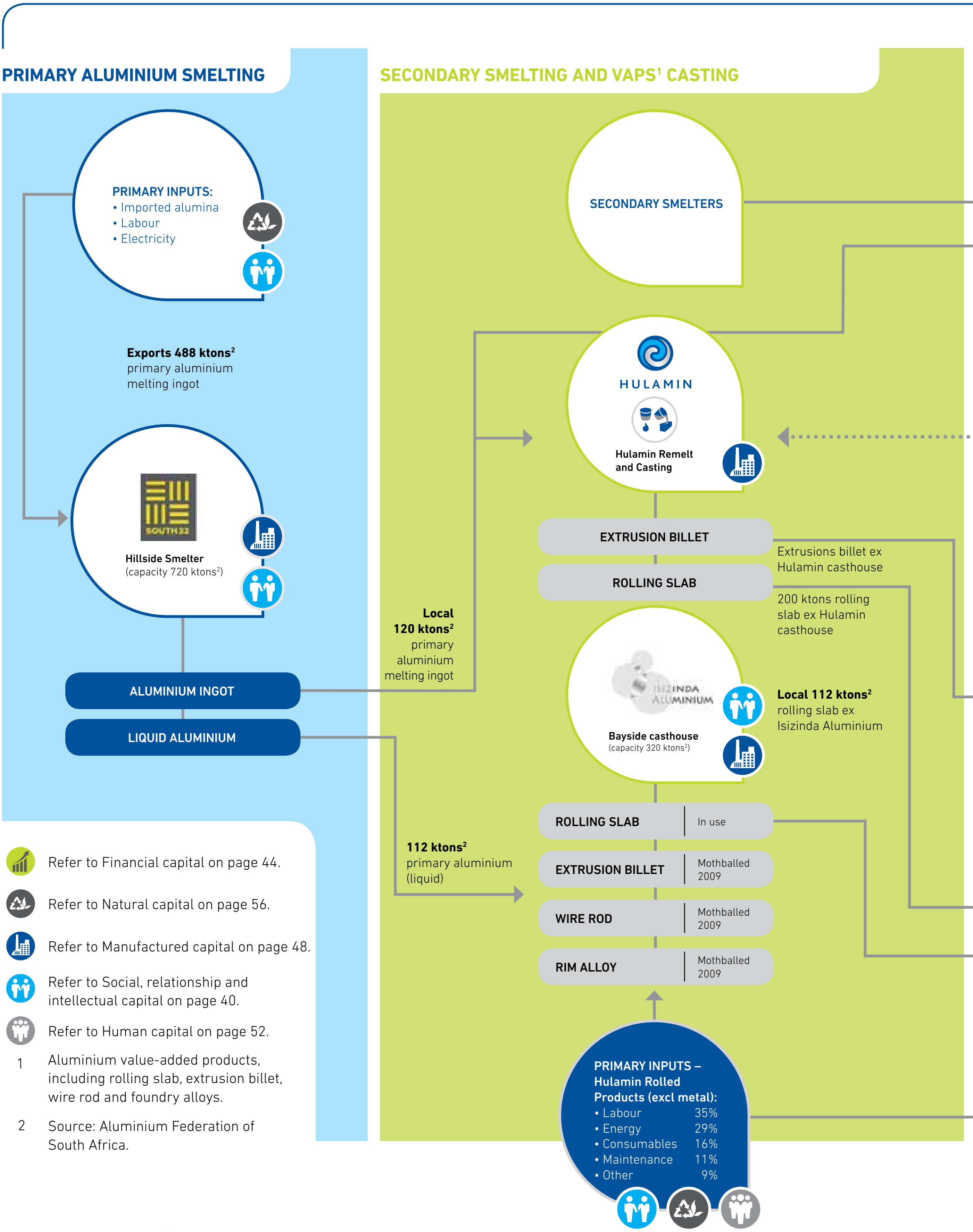
Apart from metal costs, the major operating costs related to the rolling and extruding processes comprise labour, energy, maintenance, coatings and consumables costs. Logistics costs related to the export of rolled products are also a significant cost.

MARKETS

Hulamin Rolled Products is primarily an export business (in excess of 60%), due to the current small size of the local aluminium downstream industry relative to the capacity of the Hulamin plant, which has the necessary scale to be globally competitive. Hulamin Extrusions is a supplier to the domestic market.

In addition to recovering the metal cost component in its products, Hulamin earns a conversion margin as compensation for the costs of rolling, extruding and finishing its various products.

The business model



Refer to Financial capital on page 44.

Refer to Natural capital on page 56.

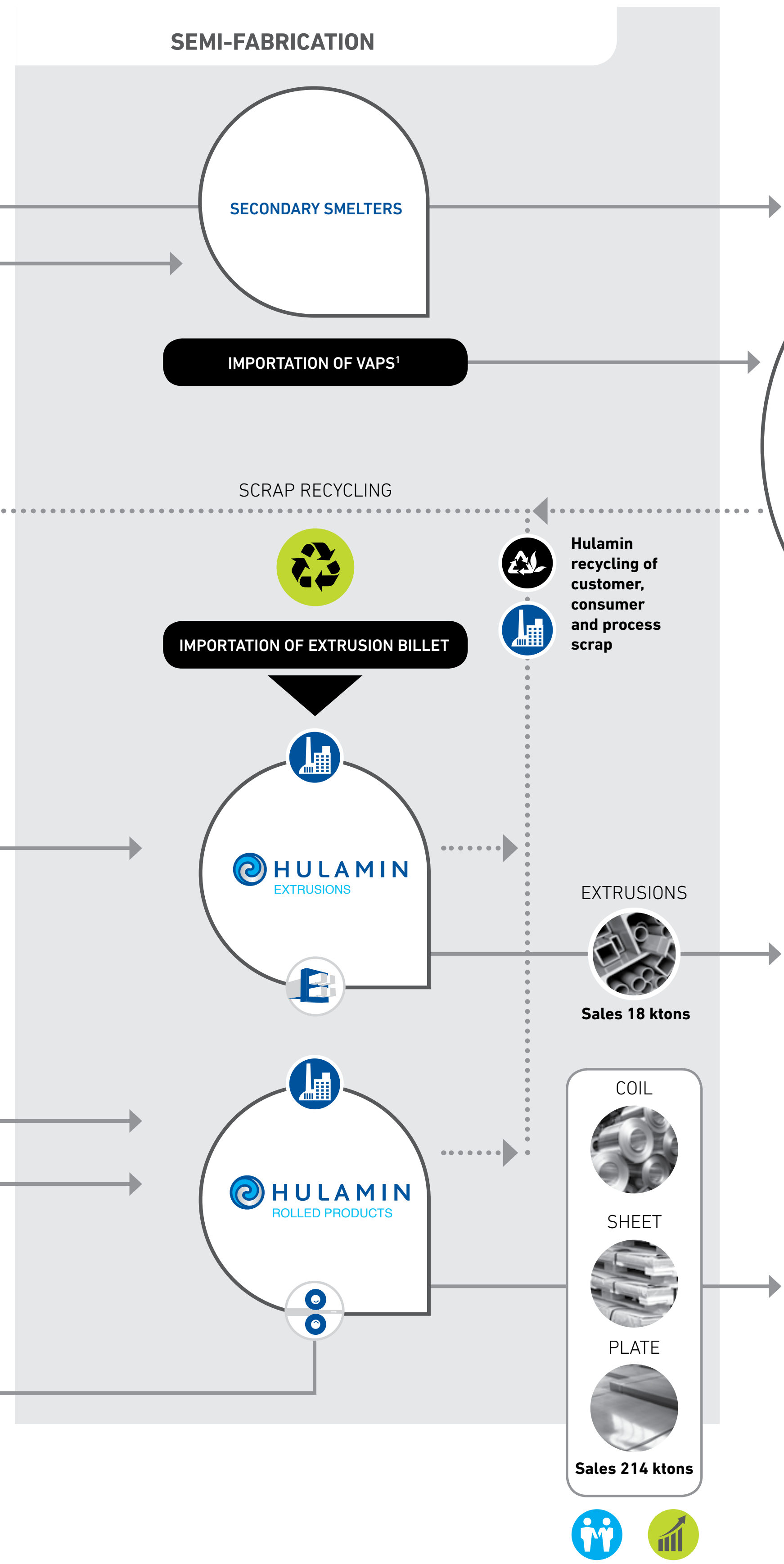
Refer to Manufactured capital on page 48.

Refer to Social, relationship and intellectual capital on page 40.

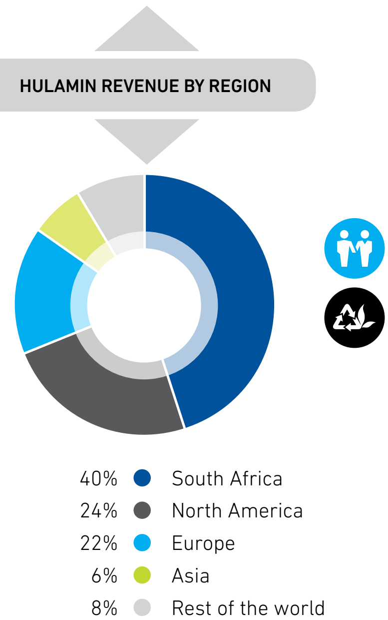
Refer to Human capital on page 52.

1 Aluminium value-added products, including rolling slab, extrusion billet, wire rod and foundry alloys.

2 Source: Aluminium Federation of South Africa.



HULAMIN REVENUE BY REGION



PRODUCT MARKETS	HULAMIN REVENUE BY PRODUCT MARKET
• Automotive and transport	14%
• Building and construction	2%
• General engineering	40%
• Packaging	44%

How we add value to aluminium

Hulamin, as the leading semi-fabricator in Southern Africa, plays a key role in the local aluminium industry by unlocking and enhancing the extraordinary properties of aluminium for use in a broad and growing set of product applications on which society is dependent.

adding value to primary aluminium

PRIMARY ALUMINIUM

REMELT AND CASTING OPERATIONS

Bought-in scrap and scrap from Hulamin's manufacturing processes are melted together with primary aluminium and alloying elements such as magnesium, manganese, zinc, silicon and copper in Hulamin's remelt operation.

The molten metal is then treated, filtered and skimmed before being cast into rolling slab and extrusion billet, the feedstock for the rolling and extruding processes.

ADDING VALUE

By adding small amounts of other elements to pure aluminium, strong alloys are produced which can be further conditioned in the heating, rolling, extruding and finishing processes to create products with the appropriate properties that our customers require.

Since aluminium is an infinitely recyclable product, all scrap produced in Hulamin's manufacturing processes, as well as scrap recovered from our local fabrication customers and post-consumer scrap, is remelted and reused.

THE ROLLING PROCESS

The rolling process must produce plate, coil or sheet with not only accurate dimensions, but such other attributes as flatness, edge quality and correct thickness profile, specified physical properties and freedom from surface defects.

In the hot rolling process, slab is heated and then processed through the reversing hot roughing mill (where the thickness of the rolling slab is reduced by up to 95% and the length increased by up to 24 times) before being transferred to the hot finishing mill to ensure that it is rolled to a tight tolerance intermediate thickness.

In the cold rolling process, hot rolled coils are further rolled, at ambient temperature, to achieve the required tight gauge tolerances and mechanical properties required. Foil rolling is a specific cold rolling process designed for very thin products and certain alloys. Hulamin's stand-alone foil mills can reduce cold rolled products to gauges as low as six microns.

ADDING VALUE

Hot rolling increases density, strength and ductility and cold rolling is used to further harden and strengthen the product, balancing between strength and ductility as required. Further finishing processes deliver the appropriate properties and qualities required for each specific product application, and include:

ANNEALING
A re-heating process performed to regulate the mechanical properties or permit further reductions in thickness during cold rolling.

COATING
The application of paint and lacquer to clean and pre-treated aluminium coil, followed by oven curing, is required for certain applications such as beverage can-ends.

PROCESSING
Further processing is often required to obtain the appropriate widths, lengths or coil sizes, flatness and metal surface cleanliness required by customers. This is achieved through further processing through precision slitters, cut-to-length lines, shears, tension levellers, embossing rolls and degreasing lines.

THE EXTRUSION PROCESS

Extrusion billet is heated and passed through an extrusion press, a powerful hydraulic device in which a ram pushes the softened metal through a unique die to produce the desired profile.

The completed extrusion is cut off the die, cooled, mechanically treated and aged to give it the required mechanical strength properties, and may be further coated, anodised and/or fabricated to provide the final specification required by the customer.

ADDING VALUE

The extrusion process supports unlimited possibilities for design. With the appropriate alloy and controlled thermal treatment, extrusions offer a wide range of application opportunities.

HULAMIN

> The production of semi-fabricated aluminium products, with the wide range of precise dimensions, properties and other characteristics required for each particular product application and customer, requires a comprehensive set of complex and technologically-advanced processes.

primary markets and applications for our products

COIL
TYPICAL ALLOYS:
1XXX, 3XXX,
4XXX, 5XXX,
7XXX, 8XXX, 9XXX

EXTRUSIONS
TYPICAL ALLOYS:
6XXX

PLATE
TYPICAL ALLOYS:
1XXX, 5XXX, 6XXX

SHEET
TYPICAL ALLOYS:
1XXX, 3XXX, 4XXX,
5XXX, 7XXX, 9XXX

AUTOMOTIVE AND TRANSPORTATION

KEY PROPERTIES
Lightweight, corrosion resistant, recyclable, strong and ductile

AUTOMOTIVE CLAD TUBE STOCK AND FINSTOCK
Used in the manufacture of automotive heat exchangers such as radiators, charge air-coolers, condensers and evaporators

PLATE AND HEAT-TREATED PLATE
Used in the production of aerospace components, truck bodies, trailers, tankers, boats and train wagons

HEATSHIELD PRODUCTS
Used for containing heat within engine compartments

GENERAL ENGINEERING AND DURABLE CONSUMER GOODS

KEY PROPERTIES
Corrosion resistant, excellent heat and electricity conductor, strong and ductile and aesthetically pleasing

GENERAL ENGINEERING COIL AND SHEET PRODUCTS
Used in items such as electronics, computers, office products and durable consumer goods

PLATE AND HEAT-TREATED PLATE
Used in vacuum chambers for the manufacture of computer chips, plasma displays, distribution boards and numerous other applications

FINSTOCK PRODUCTS
Used in the manufacture of domestic and industrial airconditioning systems

EXTRUSIONS
Numerous applications and developing opportunities such as solar components

BUILDING AND CONSTRUCTION

KEY PROPERTIES
Lightweight, corrosion resistant, good reflective qualities, strong and long life

PAINTED AND MILL FINISH BUILDING COIL AND SHEET
Used in a wide range of applications including roofing, cladding, ceilings, gutters and downpipes

EXTRUSIONS
Used in the manufacture of various household frames and other industrial applications

PACKAGING

KEY PROPERTIES
Lightweight, corrosion resistant, impermeable, odourless and recyclable

CAN BODY AND COATED CAN-END AND TAB STOCK
Used in the manufacture of cans for the beverage industry

CONVERTER FOIL
Used in the production of laminated cartons and confectionary packets for the food and beverage market. Household foil, rigid container foil, laminated foil, closure sheet for use in the manufacture of bottle caps

Products and applications of aluminium

The uses of aluminium are varied and diverse. Today it is used in commerce, transportation and other industries. Some of its applications are well known, while others are not so obvious.

HOUSEHOLD AND PACKAGING

Aluminium is used by millions of people across the world on a daily basis at home from cooking to packaging, recreation through to in the actual construction of homes. Aluminium is used in:

- Window frames
- Doors
- Kitchen utensils
- Saucepans
- Refrigerators
- Shower frames
- Microwaves
- Air conditioners
- Stoves
- Pots and pans
- Golf clubs
- Solar panels

One of the most popular uses of aluminium is packaging. Trays, foils, bottle caps and cans are usually made of this metallic element. It is also used for thermos, utensil lids and storage boxes. Aluminium is preferred because it keeps food safe from harmful elements in the environment. Because of this, aluminium is widely used in the industry. This metallic element is corrosion-resistant. Compared to iron, aluminium oxide is not destructive. It is protective. The metal is impermeable. It doesn't affect the taste or smell of food packaging. Most importantly, the metal has no toxic elements. South Africa has recently changed to the all-aluminium beverage can. Aluminium cans are the most sustainable beverage package and are infinitely recyclable. They chill quickly, provide a superior metal canvas to print on and, perhaps most importantly, protect the flavour and integrity of our favourite beverages. When you recycle a can, it can be back on the shelf in as little as 60 days in a continuous recycling loop.

AIR CONDITIONERS

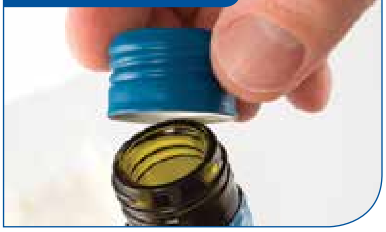
AEROSOLS

POTS AND PANS

BEVERAGE CANS

SOLAR PANELS

BOTTLE TOPS



FOIL WRAPPING

ALUMINIUM TRAYS

APPLIANCES

AUTOMOTIVE AND TRANSPORT

The use of aluminium in automotive and commercial vehicles is accelerating as it offers the fastest, safest, most environmentally friendly and cost-effective way to increase performance, boost fuel economy and reduce emissions while maintaining or improving safety and durability. Independent studies have confirmed that aluminium in automobiles has a 20% smaller life cycle CO_2 footprint than steel.

Many different parts of different forms of transportation are made of aluminium such as:

• Car body panels • Interior fitments
• Engines • Tanker and truck body panels
• Chassis • Aeroplane body panels
• Heat exchangers • Train wagons

BUILDING AND ENGINEERING

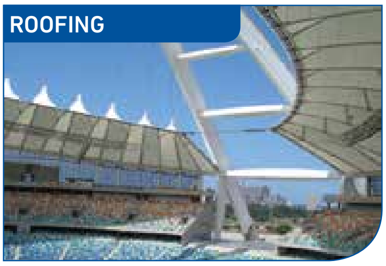
Aluminium is recognised as one of the most energy efficient and sustainable construction materials. Using aluminium in buildings can even help the structure qualify for green building status under LEED (Leadership in Energy and Environmental Design). The modern day skyscraper would not be possible without the use of aluminium. With aluminium's durability, high strength-to-weight ratio, design flexibility and contributions to energy savings, it is the material of choice for architects and designers. There are many parts of a building that are made from aluminium such as:

• Door frames • Siding • Curtain walls
• Window frames • Roofs • Entire facades

Our extruded aluminium sections are used in the manufacture of various industrial applications such as ladders, doors, windows, showers and scaffolding. Our coated and uncoated building products are used in a wide range of structures in the building and construction industry such as roofs, facades, panels, components, awnings, cladding gutters and downpipes, ceilings and many more.


CAR BODY PANELS


WINDOW FRAMES


ROOFING

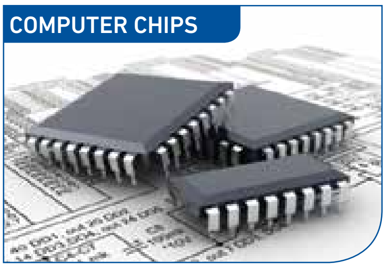

TANKER AND TRUCK BODY PANELS


LADDERS


GUTTERS AND PIPES


ENGINES


AWNINGS


COMPUTER CHIPS


HULAMIN

RELIANCE ON KEY CAPITALS

Social, relationship and intellectual capital	40
Financial capital	44
Manufactured capital	48
Human capital	52
Natural capital	56

Social, relationship and intellectual capital

Social, relationship and intellectual capital encompasses our relationships with communities, groups of stakeholders and other networks and promotion of innovative thinking.
It incorporates shared values and behaviours and provides us with our social license to operate. Interaction with key stakeholders, consideration of their concerns and earning their trust are central to maintaining and developing this capital.

MATERIAL DEVELOPMENTS

- Spend with black women is significantly up compared to 2015
- Safety record for 2016 is in line with world-class standards

LOOKING BACK ON OUR 2016 GOALS

- Substantial progress has been made to reduce our carbon footprint. 2016 reflects a carbon footprint of 1,76 per ton of production (2015: 1,92)
- ABI together with the Korean Trade and Investment Agency led a group of entrepreneurs in a meeting in Seoul that was hosted by the Korean Ministry of Trade, Industry and Energy

FOCUS FOR 2017

- Work closely with all our stakeholders to unlock the potential of aluminium in South Africa
- Further reduce our carbon footprint in line with global standards and seek alternative sustainable supplies

KEY STAKEHOLDER RELATIONSHIPS, RELIANCE AND IMPACT

Hulamin recognises that in order to create sustainable value for all, it needs to be responsive to all stakeholder expectations. To meet these expectations it is crucial to build trust and respect with our stakeholders since this will impact positively on our reputation allowing us to engage proactively on issues of mutual interest.

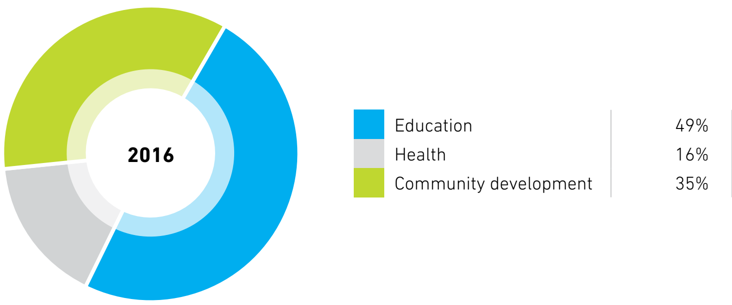
STAKEHOLDERS	STAKEHOLDER IMPORTANCE TO HULAMIN	EXPECTATIONS AND CONCERNS
Government	Local, provincial and national government, including regulatory authorities. They license us to operate and provide a supportive regulatory environment through: – tariffs and duties to level the uneven regimes between South Africa and our trading partners; and – benefits associated to the aluminium value chain for local development in terms of beneficiary electricity.	Continual and responsible contribution to regional development: • Facilitate downstream development • Job retention and creation • Transformation and empowerment • Safer workplaces • Healthy competition among businesses • Energy consumption reduction
Providers of capital	Shareholders, investment community, creditors and lenders who provide us with the financial capital required to sustain our growth. This is covered in detail under the financial capital section on pages 44 to 47.	Sustainable growth and returns on investment: • Sustainable returns • Supportive regulatory and business environment • Future growth for the business
Customers	We are reliant on customers and potential customers to sustain revenue generation and growth. The majority of our sales are to export customers. We are focused on growing the local and regional markets This is covered in detail in various sections of this report, such as pages 36 and 37.	Reliable service, good quality products and competitive prices: • Long-term security of supply • Consistent supply of products • Improved manufacturing capability and product range
Suppliers	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.	Continued growth and relationships: • Long-term supply contracts • Efficient payment cycles
Employees	Employees are the key underpin to achieve operational performance and objectives. This is covered in detail under the Human capital section on pages 52 to 55.	Provision of gainful and safe employment: • Employment security • Safe working environment • Competitive remuneration and benefits packages • Workforce transformation • Information and communication • Participation and empowerment
Communities	We build and nurture existing relationships, and create a conduit to better understand community needs and interests. This allows for us to contribute to transformation, enterprise development and various corporate social investment initiatives.	Responsive contribution to community interests and needs: • Support for key community developments and activities • Sponsorships and donations • Employment opportunities • Support for environmental initiatives

CORPORATE SOCIAL INVESTMENT (CSI)

Hulamin is situated in a society with enormous challenges and while the company can play a leadership role in many areas, the business is also symbiotically linked to the socio-economic and natural environment in which the company is located.

An amount of R2,1 million was donated towards CSI initiatives during 2016.

CSI DISTRIBUTION



Social, relationship and intellectual capital continued

PREFERENTIAL PROCUREMENT

Hulamin promotes the economic empowerment of black South Africans. Hulamin's business relationships favour entities that actively pursue employment equity and have black economic empowerment programmes. These entities are encouraged to go beyond supporting the new codes by actively improving their score on an ongoing basis.

The future of the country and of Hulamin depend on growing the economic involvement in mainstream business of all previously disadvantaged groups. Our intervention programme of preferential procurement is committed to achieving these objectives.

Due to the nature of its business, around 66% of the value of Hulamin's purchases is aluminium metal from two local aluminium sources. Remelt ingot is sourced from South 32 and rolling ingot from Isizinda Aluminium, both in Richards Bay. Isizinda Aluminium purchases molten aluminium from South 32 to cast rolling slab for onward sale to Hulamin.

Hulamin spent R2,8 billion with Isizinda Aluminium over the last 12 months. Isizinda Aluminium commenced operations in July 2015 and has no B-BBEE rating. Although Isizinda Aluminium is 60% black owned, it can only be rated for the first time in 2017 after having completed a full financial year.

Hulamin spent R2,1 billion with South 32 over the last 12 months. After acquiring the Hillside Smelter from BHP Billiton, South 32 commenced operations in June 2015 and has a level 8 B-BBEE rating.

The matters outlined above have resulted in a decrease in Hulamin's overall B-BBEE rated spend from 93,4% to 29,7% of Hulamin's total expenditure. Previously this aluminium was procured from BHP Billiton Bayside and BHP Billiton Hillside which were level five and level four contributors respectively.

Over the last 12 months' Hulamin spent R2,2 billion with B-BBEE enterprises. Within this amount:

- R295 million was spent with qualifying small enterprises (QSE);
- R148 million with emerging micro enterprises (EME);
- R550 million with enterprises where black ownership is above 51%; and
- R223 million with enterprises where black woman own more than 30%.

Hulamin exceeded its internal target for 2016 of R80 million to be spent with wholly African-owned entities, with an actual spend of R95 million.

DEVELOPING FUTURE BUSINESS, UNLOCKING ECONOMIC GROWTH

Hulamin's objective is to facilitate the development of sustainable businesses that will create jobs and add stimulus to the economy. Hulamin provides opportunities to new enterprises and supports small, medium and micro enterprises through professional, financial and logistical support coupled with start-up support services.

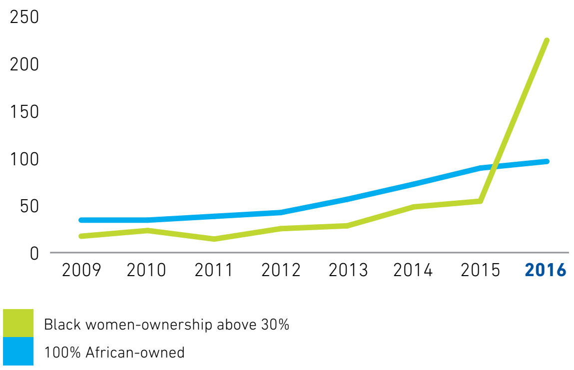
In 2016, African-owned enterprises supported by Hulamin employed 350 workers on a permanent basis which is a further 18% of Hulamin's employment complement.

Hulamin helped 18 SMMEs attain ISO 9001: 2015 quality assurance certification. All these enterprises are suppliers to Hulamin.

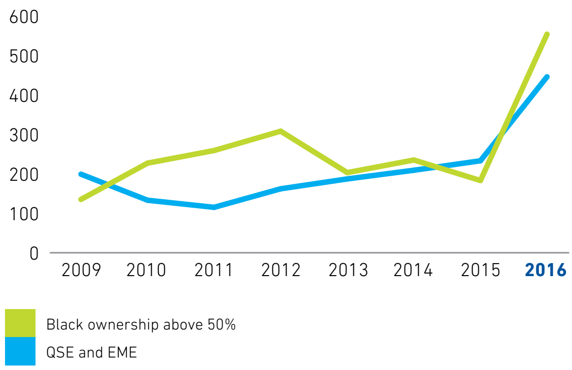
Hulamin scored maximum points in enterprise development through initiatives such as:

- Favourable payment terms granted to emerging enterprises;
- Monetary and non-monetary support for black enterprises; and
- Management time devoted towards various elements of enterprise development.

BLACK WOMEN AND AFRICAN SPEND (R million)



BLACK OWNERSHIP SPEND (R million)



ALUMINIUM BENEFICIATION INITIATIVE

Hulamin and South 32 collaborated to form the Aluminium Beneficiation Initiative (ABI) to focus on developing and supporting high level entrepreneurs in aluminium fabrication or beneficiation. A key objective of ABI is to grow the local market usage of aluminium.

ABI has identified 102 entrepreneurs throughout South Africa who have potential to grow the downstream sector.

ABI and the Korean Trade and Investment Agency (KOTRA) led a group of 12 entrepreneurs to participate in KOTRA's Small to Medium Plant Business Meeting (SMPBM 2016) in Seoul in April 2016. SMPBM 2016 was hosted and attended by the Korean Ministry of Trade, Industry and Energy officials. The objectives of the trade mission were to:

- Facilitate business networks for ABI members seeking to source plant, machinery and equipment from Korean suppliers;
- Gain exposure to advanced manufacturing technology and facilitate technology transfer; and
- Promote the aluminium industrialisation through exposure to best manufacturing experience and best practise.

Korean enterprises are internationally recognised for their innovative and state of the art business practices. They welcomed the opportunity to work with and contribute towards ABI's goal of creating sustainable aluminium fabrication enterprises. Major successful companies out of South Korea include: Samsung, Hyundai, Kia, Daewoo and Doosan.

ABI members participated and they met over 37 Korean machinery and equipment suppliers. Three ABI members are negotiating Aluminium fabrication machinery procurement estimated at $500 000 from Korea.

The usage of aluminium in the automotive sector is set to increase significantly in the future. During July 2016, two seminars were held in Durban and Johannesburg to assist the entrepreneurs that are pursuing aluminium beneficiation opportunities in this sector. 40 entrepreneurs attended these seminars.

ABI arranged two workshops on business plans that were attended by 45 entrepreneurs in Pietermaritzburg and Boksburg during July 2016.

The Industrial Development Corporation subsidiary, Small Enterprises Financial Agency, has earmarked R100 million for ABI entrepreneurs who require funding for their beneficiation projects. To date just over R10 million has been disbursed and a number of projects are currently under review.

“Shared values with our key stakeholders

See online sustainability report for more detail on each aspect of social, relationship and intellectual capitals.

Financial capital

FINANCIAL HIGHLIGHTS

- Operating profit 110% higher at R622 million, underpinned by record sales volumes of 232 000 tons
- Headline earnings per share up 222% to 119 cents
- Return on capital employed up from 4,7% to 9,2%
- Cash generation of R415 million, supported by working capital efficiency improvements and capital discipline
- Stronger balance sheet, with net borrowings reducing to R577 million (2015: R975 million)
- Dividend of 15 cents per share (cps) declared (2015: 8cps)

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 2016 and should be read in conjunction with the annual financial statements presented on pages 98 to 159.

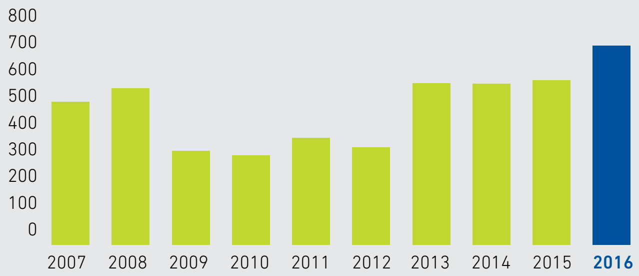
OVERVIEW

Following a difficult year in 2015, strong manufacturing performance and a favourable rand supported a 116% increase in normalised earnings per share to 119cps in 2016 from the 55cps achieved in the previous year. Headline earnings per share rose 222% from 37cps in 2015 to 119cps.

Improved risk management and mitigation measures promoted stable manufacturing conditions, upon which production performance improvements supported the attainment of record Rolled Products sales volumes of 214 000 tons, with group sales of 232 000 tons achieved.

The external environment provided support to Hulamin's financial performance with the Rand averaging R14,73 to the US Dollar during 2016, 15% weaker than in 2015.

COMPARATIVE EBITDA BEFORE METAL PRICE LAG (R million)



The London Metals Exchange (LME) price of aluminium improved to $1 713 per ton at 31 December 2016, up from the $1 508 per ton recorded a year earlier. This resulted in a R50 million metal price lag gain in 2016, against the R161 million loss in 2015.

Rolling margins were weaker in 2016, however manufacturing costs were lower by 4% on a per unit basis, reflecting the impact of improved production on a largely fixed cost operation.

Group operating profit improved 110% to R622 million, and was up 20% on a comparable basis before metal price lag.

Improved working capital efficiencies, particularly in inventory, together with lower levels of capital expenditure resulted in cash inflow before financing activities of R415 million which enabled the group to reduce its borrowings to R577 million from R975 million a year earlier.

A final dividend of 15cps was declared for the 2016 financial year, following dividends of 8cps declared in 2015.

KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

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 margins and costs (currency risk)

Hulamin's conversion margins, particularly in its rolling business, are largely denominated in US Dollars and Euros. Certain of its manufacturing and distribution costs are also foreign currency denominated.

Hulamin does not hedge these exposures and its profits are therefore impacted by currency levels on its conversion margins net of foreign denominated costs. The currency weakened from R12,76 on average in the 2015 financial year to R14,73 on average for 2016, providing a significant support to earnings.

Aluminium purchases and sales (metal price and currency risk)

The price of aluminium purchased by Hulamin 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.

Hulamin uses derivative instruments, forwards and swaps, to reduce these exposures. Hulamin has, since listing in 2007, followed a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 100% of its currency risk exposure on the metal lag. Eliminating 100% of the US Dollar aluminium price lag risk with derivatives would create a cash flow risk if the price of metal were to rise strongly since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements, hence the 50% policy on the US Dollar aluminium price lag.

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. In the 2015 financial year, Hulamin made a pre-tax loss of R161 million from metal price lag. In the current year a pre-tax gain of R50 million was recorded following a moderate rise in the LME price of aluminium during the year. This net gain was made up of dollar denominated gains on the purchase and subsequent sale of metal offset by losses on derivative instruments. The related currency gains, arising from the weaker Rand /Dollar exchange rate, on the aluminium price lag were fully hedged out in accordance with Hulamin's policy.

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

Hulamin 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. Interest payments of R102 million were some 17% higher than in the prior year (including interest capitalised of R15 million) due to higher average borrowings and higher prevailing interest rates in 2016. However, a strong operating performance in the second half, with improvements in working capital efficiencies, led to a sharp reduction in net borrowings to R577 million at 31 December 2016.

Cost inflation

Cost inflation in large cost categories such as energy and manpower costs have continued to outpace official measures of inflation, however Hulamin, as a largely fixed cost operation, benefited from significantly improved volumes, resulting in a 4% improvement in unit conversion costs in nominal terms. The weaker currency further improved Hulamin's Dollar cost competitiveness resulting in a 17% improvement in Dollar unit manufacturing costs.

ACCOUNTING POLICIES

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 Listings Requirements of the JSE Limited.

During the year, the group adopted the amendments to IAS 1 "Presentation of financial statements". The adoption of this standard has impacted certain disclosures and the presentation of the Hulamin company financial statements.

The group is currently assessing the impact on hedge accounting of the introduction of IFRS 9 "Financial instruments", which will come into effect for the year ending 31 December 2018.

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 the share price of a listed entity trades at a discount to its underlying net asset value, as is the case at Hulamin, management are obliged to determine the value in use of the assets and should this be below their carrying value, make an appropriate adjustment.

A full value in use computation was performed at the balance sheet date and no adjustment to the carrying value of assets was indicated. Full details are provided in note 20 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 R13,98 in 2017 to R14,87 in 2021.

Financial capital continued

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:

Operating profit

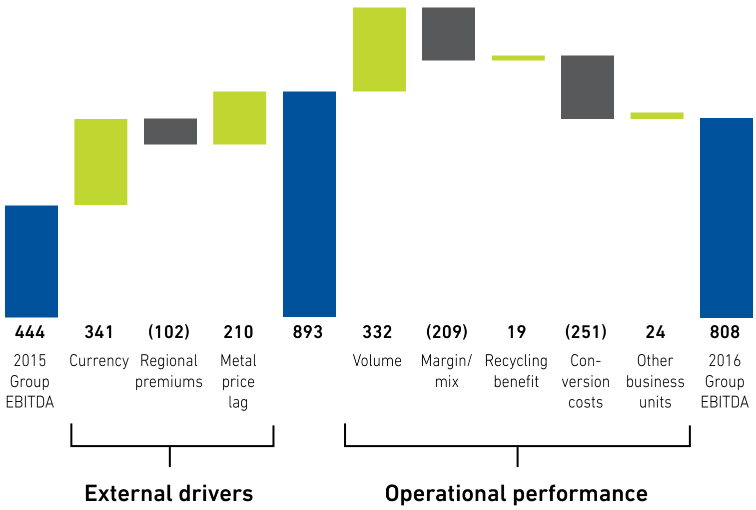
A strong manufacturing performance in Rolled Products, supported by improved risk mitigation and plant reliability as well as productivity and yield improvements, led to sales volumes increasing by 19% to a record 214,000 tons (group volumes were up 17% to 232,000 tons).

Average unit US Dollar rolling margins were some 16% weaker in 2016, largely due to a weaker product mix (the low sales volumes in 2015 had a higher concentration of high value products), the weakness of the Euro which impacted rolling margins in US Dollar terms on Hulamin's sales to its European customers and the weaker average geographic premiums year-on-year. Although regional premiums softened in 2016, they fell far less dramatically than during 2015 and have demonstrated relative stability in the second half of 2016, following the LME's implementation of more stringent warehouse controls.

The strong volume improvement contributed to a 4% improvement in unit manufacturing costs in nominal terms. Total conversion costs, adjusted for volume and currency impacts, were in line with price inflation.

Material costs, alloying elements, packaging and gas costs were impacted by stronger commodity and crude oil prices, the weaker local currency and increased volumes. Electricity costs and manpower continue to increase above the official consumer price inflation levels. Following the disruptions to local refinery liquid petroleum gas (LPG) supply in 2015, a higher proportion of imported LPG was contracted in 2016 at higher costs but this contributed to increased production stability. Hulamin made progress in 2016 in converting around 10% of its gas supply to compressed natural gas while it continues to seek a long term solution to securing piped gas into the region.

2015 VERSUS 2016 EBITDA BRIDGE (R million)



The weakening of the Rand by 15% to an average of R14,73/USD for the year (2015: R12,76/USD), protected Rand revenues and mitigated the effects of declining rolling margins and domestic cost inflation. The Rand was particularly weak in the first half, averaging R15,46/USD whilst it was significantly stronger in the second half, averaging R14,00/USD.

Despite the stronger currency in the second half, Hulamin performed significantly better in the second half recording a group EBITDA of R458 million compared with the R350 million recorded in the first half. This was mainly the result of sales volumes in Rolled products which were 10% higher in the second half, rolling margins which were stronger by $50/ton and increased recycling of market scrap.

The Rolled Products segment recorded operating profits of R588 million, an increase of 108% over the prior year, and Hulamin Extrusions improved operating profits by 172% to R34 million. Note 2 of the group financial statements disclose more information on our operating segments contribution.

Finance costs

Total interest paid increased by 17% to R102 million due to higher average borrowings (albeit significantly reduced in the second half) and higher average interest rates predominating in the year.

Net interest expense increased by 31% to R87 million, with a lower proportion of finance costs capitalised to plant and equipment in the current year.

Taxation

The effective tax rate decreased from 28,5% to 28,0% in the current year.

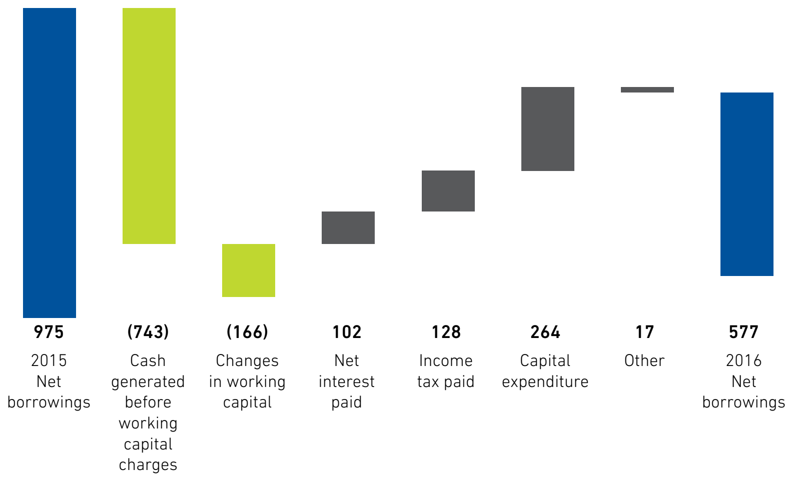
Headline and normalised earnings

Basic headline earnings and normalised earnings for the group increased to R380 million, an increase of 218% and 115% respectively. The 2015 headline earnings was impacted by the accounting implications of Hulamin's investment in Isizinda Aluminium.

Cash flow

The group generated cash flow before financing activities of R415 million in 2016, supported by improved operational performance and working capital management, and lower capital expenditure.

CASH FLOW BRIDGE (R million)



Operating cash flow

The group generated positive cash before working capital changes of R743 million in 2016, a 38% increase on the previous year. EBITDA for the current year of R808 million was 82% up on the R444 million achieved in the prior year. This was offset, however by a loss of R127 million relating to movements in derivative balances (2015: R64 million gain) primarily relating to the translation of derivatives hedging the metal price lag.

Working capital management

Improvements in management of working capital resulted in a release of cash of R166 million in the 2016 financial year.

Significant progress was made during the year in improving inventory efficiencies. Rolled Products inventories averaged 85 days of sales in 2016, 26% below the average of 115 days achieved in 2015 (2014: 103 days and 2013: 119 days). A number of key interventions combined to deliver this significant improvement including improved manufacturing and greater consistency in production, improved scrap management processes, reduced manufacturing cycle times (through process improvements, scheduling and coil logistics initiatives), and increased product range and casting flexibility at the Isizinda casthouse.

Rand receivables increased by just 9% over 2016, despite the 17% increase in sales volumes. The Rand aluminium price at the close of the 2016 financial year was fairly consistent with that of the prior year, however foreign receivables were impacted lower by the stronger currency towards the 2016 year end, which closed at R13,61, down 13% from the rate of R15,56 recorded at the end of 2015. Almost all receivables are insured, with a 10% deductible, and the quality of the book remains excellent.

Trade payables increased significantly on the prior year, reflecting higher purchases, particularly in the fourth quarter, in line with increased production volumes.

Capital expenditure and commitments

Cash outflows from investing activities for the year decreased to R264 million, net of a receipt of a R57 million government grant under the Manufacturing Competitiveness Enterprise Programme (MCEP), from the R543 million outflow in 2015.

Cash flows from investing activities in the prior year included Hulamin's R100 million investment in Isizinda Aluminium.

Stay in business capital expenditure declined by over R100 million, from the R363 million incurred in the prior year, to more sustainable levels.

Borrowings and liquidity

Net borrowings closed at R577 million, down R398 million on the prior year closing position. Borrowings comprised the balance of R216 million on an original R270 million term loan (put in place to fund the investment in Hulamin's recycling facility), a R363 million revolving working capital loan and a R73 million loan from the employer surplus in the pension fund, reduced by cash balances of R76 million. Committed facilities totalled R1 839 million, leaving headroom of R1 187 million at year end.

New working capital and general banking committed facilities were put in place in October 2016 for a further three-year period, following the maturing of the previous facilities.

Gearing decreased to 13%. The low level of gearing is expected to be further reduced in the short term, however, will increase again over the medium to long term, in anticipation of investment in capital expansion projects.

Return on capital employed

The return on capital employed for the group increased from 4,7% to 9,2% year-on-year. This mainly reflects the substantial increase in operating profit in 2016, the improvements in working capital and the lower level of capital expenditure.

Dividends

The group amended its policy during the course of the 2016 financial year to pay only a final dividend to shareholders. 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 2016 financial year of 15 cents per share has been approved. This level of dividend allows the group to focus on further reducing its gearing in the short term. In accordance with International Financial Reporting Standards, no liability has been raised for the final dividend declared. A dividend of 8 cents per share was declared and distributed in the previous year.

GOING CONCERN ASSERTION

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.

Anton Krull
Chief Financial Officer

23 February 2017

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 asset maintenance and care policies will improve asset utilisation and profitability.

MATERIAL DEVELOPMENTS

- Rolled Products manufacturing output was 210 000 tons for the year due to strong operational performance across the plant
- Engineering work on the partial conversion to Compressed Natural Gas across our major mills continued in line with our plans
- Long-term security of local rolling slab and melting ingot has been further secured

LOOKING BACK ON OUR 2016 GOALS

- Manufacturing performance yield increased from 65,3% to 67,4% (above our planned target of 67% for 2016)
- Can body stock production ramp up continues in line with our targets

FOCUS FOR 2017

- Continue to improve our production performance and efficiencies to reach our upwards revised target of 68%
- Continue to optimise our cost efficiency programme without hampering on targeted production and sales levels

HULAMIN

RELIANCE ON KEY CAPITALS

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

Remelt and casting 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.

"High-tech, state-of-the-art rolling and semi-fabrication assets are central to our operations

Manufactured capital continued

OPERATIONAL STATISTICS 2016

REPAIRS AND MAINTENANCE
R258 million
(2015: R255 million)

GROUP SALES
232 000 tons
(2015: 199 000 tons)

Rolled Products
214 000 tons
Extrusions
18 000 tons

ASSET ADDITIONS
R328 million
(2015: R605 million)

ASSET DISPOSALS AT COST
R74 million
(2015: R104 million)

ASSET CARRYING AMOUNT
R3 264 million
(2015: R3 167 million)

Think future.
Think aluminium.

STRATEGIC ASSET BASE

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

GROUP ASSETS

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 with a capacity of 240 000 tons per year.

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. Used beverage cans are processed through the UBC cleaning line and the recycling furnace.

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.

HULAMIN ROLLED PRODUCTS

MILLS

Hulamin has state-of-the-art rolling mills, which roll the slab into coils. The hot mills roll heated slab, substantially reducing it 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.

HULAMIN EXTRUSIONS

EXTRUSIONS

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.

Human capital

Human capital is considered a core asset at Hulamin. The skills of our people are the foundation for our success. Hulamin appreciates the importance of its people and the key role that they play in achieving objectives through strategy implementation. Our people are equipped with the knowledge, skills and motivation that give Hulamin a leading advantage.

MATERIAL DEVELOPMENTS

- Further increases in black female representation in middle to upper management, with the appointment of a black female employee in F band as the Corporate Affairs Executive, four in D band level and eight in C band level. A third black female area manager was appointed.
- Extremely successful year in the area of safety, with lost time injuries at an all-time low and five million lost time injury free hours achieved.

A LOOK BACK AT OUR GOALS FOR 2016

- Safety performance rates were better than the year's targets with no fatalities.
  – TRCFR 0,27 (target 0,60)
  – LTIFR 0,03 (target 0,20)
- Hulamin is on track to meet our 2018 targets for Employment Equity.
- Over half of our employee base participated in voluntary counselling and testing as part of Hulamin's commitment to the health and wellbeing of our staff, their families and the community.

THE FOCUS FOR 2017

- Improve on employment equity to ensure that progress towards 2018 targets is according to plan.
- Improve on safety performance to set new benchmarks.

WORKFORCE

Our workforce consisted of 1 934 employees at December 2016 (2015: 1 972 employees). We are reliant on the skills, education and experience of our employees, particularly those who have unique skills that are required by our business. These are core and specialist skills which include amongst others, metallurgical engineering, rolling, roll-grinding, surface treatment and casting. We are dependent on these skills in various aspects of our business, including, manufacturing, design, operating, maintenance and project planning.

EMPLOYMENT EQUITY

We believe in the development of all employees with emphasis on people in designated groups. Employment equity is a key 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 business strategy focusing on the following:

- Elimination of discrimination within the workplace; and
- Implementation of affirmative action measures to achieve demographic representation of designated groups across all occupational levels within the organisation.

A formal employment equity plan, with targets, was set with a five year horizon (1 January 2014 to 31 December 2018). The objectives of the plan include:

- Targeted black and female representation.
- Improving the skill levels and the profile of blacks and females in the organisation.
- Developing a highly-skilled talent pool that enables blacks and females to be suitably equipped for promotion into specialist roles and top management positions.
- Retention of blacks and females through a corporate culture that values transformation where all employees see Hulamin as an "employer of choice".
- Clear career path planning for employees.
- Opportunities for all employees to use and develop their talents in ways that are appropriate for the business.

ENGAGING OUR EMPLOYEES

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

Formal communication with employees and their representatives takes place regularly and at various levels, including the departmental action forums, where employees meet with line management, and the Employee Relations Committee, where employee representatives meet with senior management. In addition, employees regularly engage with management through weekly Visible Felt Leadership structures.

68% of Hulamin employees are covered by collective bargaining agreements.

No time was lost due to work stoppages, strike action, stay-aways or any industrial action in the company during 2016.

DURING 2016 WE EXTENDED OUR COMMITMENT TO EMPLOYMENT EQUITY IN THE FOLLOWING AREAS:	
Female representation	• We recruited one female in the F band, four females in the D band and eight females in C band. In addition we have appointed our third African female area manager. • There are currently 29 in-service trainees of which 16 are female • Since the inception of the apprentice training programme, 19 females have qualified as artisans and have been placed into permanent positions. Plans are being worked on to accelerate the development of female artisans into senior artisan roles. • Three females who previously occupied shop floor positions have been appointed into team leader positions which were predominantly occupied by males. In addition, eight female operators have advanced in senior operator positions.
African representation	• Hulamin has recruited seven Africans in the D band, four of whom are female.
Persons with disabilities	• Efforts remain focused on improving the training and development of employees with disabilities in order to improve their skills sets as well their employment prospects
Black representation	• Black representation in D band and above at 69% as at December 2016 is unchanged from December 2015.

Human capital continued

SKILLS DEVELOPMENT

We strive to develop skilled and motivate employees through an outcomes based approach to development that endorses personal growth, individual responsibility and a culture of lifelong learning. We 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. This Committee is guided by terms of reference which clearly define the roles and responsibilities of the committee and the representation in respect of the employees, the employer and organised labour.

TALENT MANAGEMENT AND DEVELOPMENT

The talent management strategy and career development programme has been refined 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.

- Integrated Manufacturing Approach Visual Management
- Skills/Programmes/Learnerships – portability of skills
- Talent management
- Building leadership and management capability
- Shift Leader Development
- Shopfloor Competency Training
- The engineers-in-training programme
- Apprenticeship training programme

SUCCESSION PLANNING

This is an area of the talent management strategy that is currently receiving deliberate and targeted attention. The process to develop the executive succession plan and the succession plans for other key and senior positions is progressing well.

The process to identify the talent pool and determine the bench strength based on potential and performance has been completed. This included psychometric assessments and in-depth reviews of the candidates' performance. Based on the outcome of the assessments, the candidates have been categorised into three categories in line with their readiness to occupy the required positions, i.e. immediately ready, within the next three and within the next five years.

The next phase will be to identify the talent gaps and implement individual development plans for candidates which will include developmental interventions. The succession plan is also closely aligned to the transformation strategy and other talent management processes some of which include targeted recruitment and selection, competency development and maintenance, career development and targeted learning and development interventions.

Candidates' progress will be reviewed and monitored using existing structures such as the Strategic Manpower Committee.

Annual feedback will be to the Remuneration Committee, and the Transformation, Social and Ethics Committee.

EMPLOYMENT EQUITY TARGETS

Criterion	Target 2018 %	**Status 2016 %**	Status 2015 %	Status 2014 %
Black representation at senior management	58	**45**	47	45
Black representation at middle management	85	**79**	76	75
Black representation at skilled and supervisory level	91	**91**	93	93
Women at senior management	12	**10**	8	5
Women at middle management	23	**16**	16	16
People with disabilities	1,5	**0,6**	0,9	0,9

Our investment in talent	**2016**
Investment in employee training and development as percentage of leviable amount	**5%**
Total Skills Development Spend	**R38 788 524**
Proportion of the above focused on black employees	**92%**
Percentage of employees trained	**83%**
Average learning hours per employee	**17**
Investment in pipeline management programmes	**R4 331 820**
Employees currently in learnership programmes	**96**
Investment in bursary scheme	**R2 897 555**
Employees in company sponsored education programmes	**221**

SAFETY

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

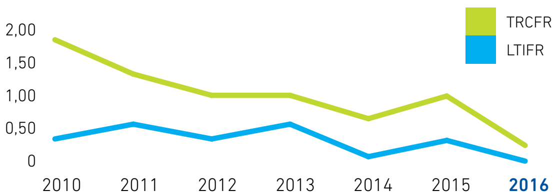
Hulamin has embedded a culture of safety in the organisation to ensure that its plants are operated safely and employees are protected from injury or from harm due to incidents or exposure. To achieve this, employees and the teams in which they work are guided and supported in taking responsibility for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

Hulamin is audited for verification and compliance in line with the OHSAS 18001 management standard. In 2014 a successful recertification audit was conducted and will be repeated in 2017.

Focused projects are being implemented by the High Risk Safety Committee (HRSC) to reduce the exposure risk of employees. These projects address aspects such as:

- Machine guarding
- Lock out, tag out
- Pedestrian-vehicle interface
- Overhead crane safety
- Working at heights
- Explosion risks
- Confined spaces
- Contractor safety
- Engaged employees

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 2016 were LTIFR of 0,2 and TRCFR of 0,6.*

SAFETY PERFORMANCE FREQUENCY RATES

All forms of injuries decreased in 2016, lost time injuries were at an all-time low. During November 2016 Hulamin Operations achieved five million LTI injury free hours. The success is as a result of the focus on addressing root causes related to latent failures (management systems). During 2017 the focus will be on active failures (failure to comply). There were no[LA] fatalities in 2016.

HEALTH

We believe that the good health of employees is essential to motivation, capability and productivity. To this end, we offer benefits for employees and their families and friends. The enhancement of employee health also contributes to reduced absenteeism and promotes good working relationships. 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.

EMPLOYEE WELLNESS

Facilitating good health and safety of employees is a fundamental duty for any organisation with a vision to succeed.

Over and above the fully-equipped Hulamin clinic with occupational health professionals, including medical doctors, the annual employee Wellness Days, assist employees in managing their wellness. In the 2016's wellness event the theme was minimal consumption of alcohol in and out of the workplace.

2016's education was offered by a Pietermaritzburg based organisation called SADD (South Africans Against Drunken Driving) who also ensured that Hulamin employees were given adequate literature to take to their family and friends to share the information.

The key focus of the wellness event as with every year is the HIV/AIDS voluntary counselling and testing: At least 975 of 1 186 employees who attended the wellness event over the three days in Hulamin Edendale and Camps Drift plants, two days in Olifantsfontein plant and one day Hulamin Containers plant now know their HIV status.

2016 also saw the first wellness event being held at our Hulamin Containers headquarters in Eastwood. It was a resounding success with 98% of the employees reported for duty on the day attending the event and with 100% of the attendees testing for HIV.

It was encouraging to see that the increase in number of employees that attended the Wellness event in 2016 included the new and young employees who are often regarded at high risk.

Although safety is the responsibility of all employees, Hulamin's management has reaffirmed its mandate to provide direction and support for the wellness of Hulamin employees.

See the online sustainability report for more detail on each of the aspects of human capital.

Note: Limited assurance has been obtained over the following as detailed in the sustainability report: HIV/Aids spend, employee and contractor lost time injury frequency rate (LTIFR), employee and contractor total recordable frequency rate (TRCFR), number of fatalities, new noise induced hearing loss (NIHL) cases for the year and new dermatitis cases for the year.

Natural capital

Hulamin is committed to responsible environmental stewardship of its resources and to ensuring that all its activities result in minimal harm to the environment. Addressing environmental sustainability has thus far been integrated into the way Hulamin runs its business. Structural changes to the business were put in place to enable and sustain monitoring and reporting environmental sustainability alongside developing plans for continuous improvement, including the assessment of environmental risk.

MATERIAL DEVELOPMENTS

- A resource efficiency manager was appointed late in 2016 to assist in continuously reducing, reusing and recycling.

LOOKING BACK AT OUR GOALS FOR 2016

- 15 819 metric tons of molten metal was derived from actively collected scrap aluminium (including used beverage cans). Applying 2016 global benchmarks, this substitution of primary metal effectively saved carbon emissions equivalent to 38% of Hulamin's 2016 carbon footprint.
- Three furnaces converted from LP gas to CN gas.
- Water consumption per unit of production was reduced to the lowest level since 2010.
- Waste levels decreased by 16% from 2015 despite significantly higher production.
- Ongoing development of sustainable systems for more efficient energy usage with the assistance of energy management specialist NCPC.

THE FOCUS FOR 2017

- Reduce our carbon footprint by targeting global standards and seek alternative supplies.
- Manage water usage in line with the national call to conserve water.
- Further conversions from LP gas to CN gas.

NATURAL RESOURCES WE ARE RELIANT ON

Aluminium smelters are heavily reliant on electricity, a scarce and carbon-intensive resource, to produce primary aluminium. The mid- and downstream aluminium industries are reliant on this primary aluminium. This high usage of electricity by the smelters is therefore an indirect capital on which Hulamin is reliant. Hulamin also consumes electricity in its remelt, casting, rolling and extrusion activities.

Gas, water and electricity are essential resources used in our production.

ABILITY TO REDUCE RELIANCE ON KEY NATURAL 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.

OUR COMMITMENT TO REDUCED RESOURCE CONSUMPTION

Every employee at Hulamin is tasked to help sustain our environment. This relates to minimising energy and water consumption and reducing waste to a minimum. To achieve this, we strive to operate as efficiently as possible. Environmental sustainability is driven by our Safety, Health and Environment Committee. Since we pledge to minimise our impact on the environment, we strictly monitor all waste leaving the plant, both effluent waters from our processes as well as solid waste streams. We have contracts with specialist third parties who assist us to manage these waste streams. We also have regular third party testing of our air emissions. We monitor legislative developments; the latest Waste Act has been reviewed by Hulamin to ensure that we comply with all new requirements.

OUR IMPACT ON NATURAL CAPITAL IN 2016

At the end of 2012, Hulamin set intensity targets for all key environmental parameters (consumption per unit ton produced). Despite excellent progress, we did not achieve our target for energy during 2016 due to increasing requirements from the new recycling furnace (new user). Production increased by 17% over 2015 while energy consumption increased by only 8%. Electricity has been well managed while overall fuel gas consumption was higher than expected with renewed commitment to support all possible options to reduce consumption in 2017.

CARBON FOOTPRINT

Hulamin continues to track and monitor Greenhouse Gas (GHG) emissions. We have once again conducted our annual carbon footprint analysis in accordance with the Greenhouse Gas Protocol.

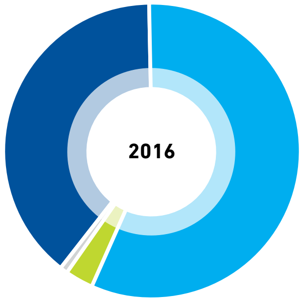
ENERGY

Hulamin has made good progress to improve energy efficiency over the last few years. With improved measurement systems in place, Hulamin is now in a good position to formally implement an energy management system.

INTENSITY AGAINST 1 ton OF PRODUCTION

	Carbon footprint (tons CO_2e)	Electricity consumption (KWh)	LPG consumption (GJ)	Water consumption (kℓ)
2014	1,89	1 332	7,48	3,02
2015	1,92	1 393	7,52	3,32
2016	**1,76**	**1 267**	**6,99**	**2,66**

ENERGY CONSUMPTION



Gas	57%
LSO	3%
Diesel and petrol	1%
Electricity	39%

GAS

All three of the Camps Drift hot mill pusher furnaces were converted from Liquid Petroleum Gas (LPG) to Compressed Natural Gas (CNG) by September of 2016, after the "proof of concept" pilot installation on Pusher Furnace 3 was accomplished in February. This has reduced Hulamin's dependence on LPG by about 12%, while also having a positive effect on GHG emissions.

Looking ahead to the first quarter of 2017, the conversion of all four of the twin roll casting furnaces, the recycling furnace and both coating lines to CNG is being aggressively pursued and is on track. This will mean that 46% of Hulamin's gas needs will be supplied from CNG.

At the Camps Drift remelt operation, improvement in measurement accuracies of the air and gas flows on our melters and the transfer of liquid metal from the recycling furnace, has led to a 7% improvement in the fuel gas consumption indices. Improvements at the coil coating line were made through the intelligent use of the regenerative thermal oxidiser by automatically switching it to standby

Natural capital continued

mode during certain conditions.

ELECTRICITY

Accurate data capturing is crucial for understanding and influencing consumption. Due to the complex nature of the Hulamin plant, this is not a simple task. Much of the 2016 effort went into expanding our measurement accuracy as well as the reporting and analysis of our consumption. Our internal metering points have been expanded from 41 to 72 with a target of 150 planned to be achieved within the first six months of 2017. We can now compare our daily consumption on the major machine centres against a modelled consumption and investigate any deviations. Improvements in the accuracy and reliability of this system will continue in 2017.

Energy saving projects in 2016 focused on the installation of variable speed drives on machines with the highest savings potential. Eight projects are active with savings between 35% and 81% of baseline consumption being achieved. A total annualised saving of 3,5 GWh was implemented during 2016. A further 5,5 GWh annualised savings is planned for 2017, which includes the commissioning and optimisation of compressed air control systems.

WATER

South Africa is a water scarce country and we recognise that our duty is to reduce and reuse this scarce recource in an efficient and sustainable manner. In recognising shortcomings in the area of water conservation as Hulamin, a water management team has been set up to identify and manage water concerns. The mandate of this team is to identify water risks, monitor and understand monthly consumption data and to develop action plans for risks and opportunities.

Similar to electricity management, much of the effort during 2016 went into establishing more accurate measurement at the points of consumption. The process involved the installation of more than 50 water meters across the two Pietermaritzburg sites, with the aim of having live reporting on all consumption points and reducing the un-metered consumption portion from 33% down to less than 10%. Commissioning of these meters is in progress.

Water savings opportunities were identified through a water assessment that was conducted on site through the RECP programme of the NCPC. The survey highlighted possible savings of 25% through various re-use and recycling possibilities, as well as water treatment plant improvements. Detailed investigations and pilot projects are in progress to verify these savings.

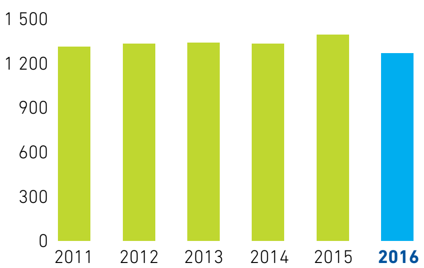
The water consumption per unit of production in 2016 dropped to the lowest level since 2010. Significant decreases were achieved in the second half of the year so we expect continued and sustainable savings going into 2017, particularly with the implementation of the identified projects.

WASTE

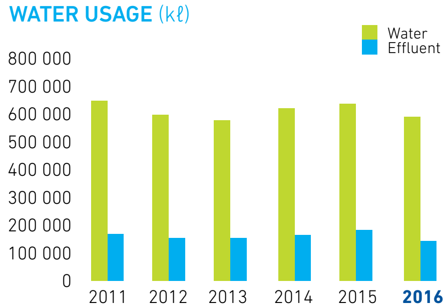
The drive towards minimising our waste to land fill continues. Hulamin waste levels in 2016 decreased by approximately 16% from the previous year; this is despite significantly increased production in 2016. This is an area of our business that will continue to receive increasing attention going forward.

See the online sustainability report for more detail on each of the aspects of natural capital.

ELECTRICITY INTENSITY (kWh/MT production)



WATER USAGE (kℓ)



DISPOSED WASTE VOLUMES (tons)

	2013	2014	2015	2016
General	744LA	764LA	540LA	**458LA**
Low hazardous	5 039LA	5 150LA	6 161LA	**5 135LA**
High hazardous	2,0LA	4,4LA	2,6LA	**0LA**
Recycled	763LA	1 031LA	1 226LA	**1 391LA**
Total landfilled	5 785	5 918	6 703	**5 593**

Note: Limited assurance has been obtained over the following as detailed in the sustainability report: direct energy consumption (gigajoules), indirect energy consumption (gigajoules), total carbon footprint (using Eskom electricity conversion factor), total effluent discharge, general waste disposed, low hazardous waste disposed, high hazardous waste disposed, solid waste recycled, total water consumption and number of environmental incidents.

HULAMIN

Hulamin is committed to responsible environmental stewardship of its resources


HULAMIN
HULAMIN

HULAMIN

GOVERNANCE AND LEADERSHIP

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Board of directors

MAFIKA EDMUND MKWANAZI (62)

CHAIRMAN OF THE BOARD

Public enterprise leadership
Corporate and strategic leadership
Government and public sector relations
Private enterprise

RN | RSHE | CC

RICHARD GORDON JACOB (51)

CHIEF EXECUTIVE OFFICER

Aluminium industry
Corporate and strategic leadership
Commercial strategist
Operational best practice
Rolling technology

RSHE | TSE

CHARLES ALEXANDER BOLES (47)

INDEPENDENT NON-EXECUTIVE

Financial experience
Legal experience
Operational experience

RN

LUNGILE CONSTANCE CELE (63)

INDEPENDENT NON-EXECUTIVE

Financial and tax management
Human resource best practice
Entrepreneurial flair
Financial governance

A | TSE | CC

VUSI NOEL KHUMALO (54)

NON-EXECUTIVE

Public enterprise leadership
Diverse financial experience
Government relations

TSE

ANTON PAUL KRULL (42)

CHIEF FINANCIAL OFFICER

Aluminium industry experience
Diverse financial experience
Legal and corporate governance experience

RSHE

Audit Committee **A**
Chairmans Committee **CC**
Remuneration and Nomination Committee **RN**
Risk and Safety, Health and Environment Committee **RSHE**
Transformation, Social and Ethics Committee **TSE**

Refer to our website at www.hulamin.co.za for a detailed résumé of the board of directors.

Note: Ages quoted for all executive members are at 31 December 2016.

THABO PATRICK LEEUW (53)

INDEPENDENT NON-EXECUTIVE

Financial and investment management
Corporate leadership
Best practice in corporate governance

A | RSHE | CC

NARAN MAHARAJH (50)

INDEPENDENT NON-EXECUTIVE

International board experience
Financial experience
Legal experience
Government/regulatory and social/environmental

A

NOMGANDO ANGELINA MATYUMZA (53)

INDEPENDENT NON-EXECUTIVE

Human resource best practice
Entrepreneurial flair
Diverse financial experience
Financial governance

A | RN | CC

DR BONAKELE MEHLOMAKULU (44)

INDEPENDENT NON-EXECUTIVE

Technical engineering
Financial experience
Human resources
Operational experience
Government relations and social environmental

MOSES ZAMANI MKHIZE (55)

MANUFACTURING DIRECTOR

Aluminium industry
Corporate and strategic leadership
Operational best practice
Rolling technology

RSHE

SIBUSISO PETER-PAUL NGWENYA (63)

NON-EXECUTIVE

Corporate and strategic leadership
Entrepreneurship flair
Public sector leadership
Political insight

TSE

PETER HEINZ STAUDE (63)

INDEPENDENT NON-EXECUTIVE

Corporate and strategic leadership
Operational best practice
Multinational organisations
Aluminium industry

RSHE | CC

GEOFFREY HAROLD WATSON (65)

INDEPENDENT NON-EXECUTIVE

Aluminium industry
Corporate and strategic leadership
Rolling technology
Strategic marketing
International operations experience

RN | RSHE | CC

GCINA CECIL ZONDI (43)

ALTERNATIVE NON-EXECUTIVE

Private equity
Diverse financial experience
Financial governance

Executive committee

FRANK BRADFORD (56)
STRATEGIC METAL SUPPLY
Joined Hulamin in 1993

CLAYTON FISHER[1] (40)
STRATEGY AND SUPPLY CHAIN
Joined Hulamin in 2009

RODNEY GREEN-THOMPSON (43)
MANUFACTURING BUSINESS UNIT
Joined Hulamin in 1994

RICHARD GORDON JACOB (51)
CHIEF EXECUTIVE OFFICER
Joined Hulamin in 1990

MARLENE JANNEKER (45)
HUMAN CAPITAL
Joined Hulamin in 1995

ANTON KRULL (42)
CHIEF FINANCIAL OFFICER
Joined Hulamin in 2008
Rejoined Hulamin in 2016

Refer to our website at www.hulamin.co.za for a detailed résumé of the executive committee.

Note: Ages quoted for all executive members are at 31 December 2016.
1 Appointed to the executive committee with effect from 1 January 2017.

MOSES MKHIZE (55)
MANUFACTURING
Joined Hulamin in 1982

AYANDA MNGADI (42)
CORPORATE AFFAIRS
Joined Hulamin in 2016

HECTOR MOLALE (50)
MANAGING DIRECTOR: HULAMIN EXTRUSIONS
Joined Hulamin in 1993

MARLON REDDY (47)
METAL BUSINESS UNIT
Joined Hulamin in 2001

IAN SMITH (48)
SALES AND MARKETING
Joined Hulamin in 2003

DARRYL WEISZ (53)
STRATEGIC MARKET DEVELOPMENT
Joined Hulamin in 2012

Corporate governance

In terms of the JSE Listings Requirements, all JSE-listed companies must comply with the King Code of Governance Principles for South Africa (King III Code).

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.

Hulamin applies all the principles of the King III Code and the vast majority of the recommended practices of the King III Code.

A summary of how each principle is applied can be found at www.hulamin.co.za.

Hulamin will address compliance with King IV code during 2017.

BOARD OF DIRECTORS

As set out in its charter, the board's objective is to provide responsible business leadership to the group with due regard to the interest of all stakeholders.

COMPOSITION

Hulamin has a unitary board consisting of three executive directors and 12 non-executive directors, of whom nine are independent.

A vacancy of a non-executive director arose following the resignation of J B Magwaza on 30 April 2016.

Details of the directors are listed on page 62 and 63 and a brief résumé of each director is available at www.hulamin.co.za.

APPOINTMENTS AND CHANGES TO THE BOARD

D A Austin resigned as Chief Financial Officer with effect from 30 April 2016 and A P Krull was appointed Chief Financial Officer with effect from 1 May 2016.

G Zondi was appointed as an alternate non-executive director to S P Ngwenya with effect from 1 May 2016.

The following independent non-executive director appointments were made in 2016 in terms of the board succession plan. N Maharajh was appointed with effect from 1 September 2016, C A Boles was appointed with effect from 1 October 2016 and Dr B Mehlomakulu was appointed with effect from 1 November 2016.

Appointments to the board of directors follow a formal and transparent process and are a matter for the board of directors as a whole, assisted by the Remuneration and Nomination Committee.

The board endeavours to ensure that it has the right balance of skills, experience, background, independence and business knowledge necessary to discharge its responsibilities. The board has adopted a policy on the promotion of gender diversity at board level which is taken into consideration by addressing the board succession plan. The remuneration and nomination committee strives to achieve the targets as set out in the policy.

Newly appointed directors are introduced to the group via a formal induction programme.

BOARD PRACTICES

At board level there is a clear division of responsibilities to ensure a balance of power and authority, such that no one individual has unfettered powers of decision making.

The roles of M E Mkwanazi as an independent non-executive Chairman and R G Jacob as the Chief Executive Officer are separate with a clear division of responsibilities, which are set out in the board charter.

SUCCESSION PLANNING

The Chairman's Statement released on 21 April 2016 announced that, a number of Hulamin non-executive directors will reach the end of their tenure or retire in the coming months. The board commenced a succession review process and as part of a structured plan have appointed new non-executive directors. A board composition expert was appointed to assist the board in mapping the skills and experience necessary to meet the needs of the stakeholders, shareholders, the board and its committees. This process is anticipated to be completed in quarter one of 2017.

The appointment and performance of the Chairman are reviewed annually. The board and the Remuneration and Nomination Committee are responsible for the succession plan for the Chairman.

BOARD COMMITTEES

- AUDIT COMMITTEE
- RISK AND SAFETY, HEALTH & ENVIRONMENT COMMITTEE
- REMUNERATION AND NOMINATION COMMITTEE
- TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE
- CHAIRMAN'S COMMITTEE

ROTATION

In accordance with the company's Memorandum of Incorporation, executive directors in addition to non-executive directors are subject to retirement by rotation at intervals of three years and may be re-elected at the annual general meeting at which they retire. Newly appointed directors hold office until the next annual general meeting at which they retire. The board charter requires non-executive directors who have served on the board for more than nine years to retire, except in exceptional circumstances. The appointment and removal of directors, as well as changes to the composition of the board, are based on the recommendation of the Remuneration and Nomination Committee. Non-executive directors are chosen for their business skills and expertise appropriate to the strategic direction of the company. There are no term contracts of service between any of the directors and the company or any of its subsidiaries.

REMUNERATION AND EFFECTIVENESS EVALUATION

Non-executive directors' remuneration is not linked to the group's financial performance.

In order to improve the board's effectiveness, evaluations of the board, individual directors, board committees and the Chairman are carried out annually. External evaluations are done when considered appropriate, typically on a bi-annual basis. Appropriate measures are taken to address any weaknesses highlighted through the evaluation process.

RESPONSIBILITIES OF THE BOARD

The board's key responsibilities are:

- Approve corporate strategy, including business plans and budgets and bring independent, informed and effective judgement and leadership to bear on the material decisions of the company
- Monitor management's implementation of the approved strategies
- Approve major acquisitions and disposals
- Oversight of the group's systems of internal control, governance, including that of information technology, and risk management
- Guiding the group's values, including principles of ethical business practice and the requirements of being a responsible corporate citizen
- Appointment of the Chairman and Chief Executive Officer, nomination of directors and review of directors' and senior management's remuneration, appointments and succession plan
- Approval of the authorities assigned to the board, its committees and management
- Ensure disputes are resolved as effectively, efficiently and expeditiously as possible
- Monitoring the relationship between management and stakeholders of the company.

The quorum for board meetings is a majority of the directors.

The board is supplied with all relevant information and has unrestricted access to the management of the group and all group information, which enables the directors to adequately discharge their responsibilities. All directors and board committees have full access to the Company Secretary and may, in appropriate circumstances, take independent professional advice at the company's expense.

The Company Secretary provides guidance and advice to the board and the group on governance matters and changes in legislation. All directors have access to the advice and services of the Company Secretary.

The responsibilities of the Company Secretary are described in detail in the board charter.

Directors' declarations of interests are tabled annually and additional or amended declarations of interests are circulated at every board meeting.

BOARD COMMITTEES

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.

The board has an Audit Committee, a Risk and Safety, Health and Environment Committee, a Remuneration and Nomination Committee and a Transformation, Social and Ethics Committee. The board in 2016 also introduced a Chairman's Committee.

GROUP EXECUTIVE COMMITTEES

- EXECUTIVE COMMITTEE
- SAFETY, HEALTH & ENVIRONMENT COMMITTEE
- RISK MANAGEMENT COMMITTEE
- INFORMATION TECHNOLOGY (IT) MANAGEMENT COMMITTEE
- BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) COMMITTEE

Corporate governance continued

THE BOARD AT A GLANCE

	AGE	AUDIT	RISK AND SHE*	REMUNERATION AND NOMINATION	TRANSFORMATION, SOCIAL AND ETHICS	CHAIRMAN'S COMMITTEE
Independent non-executive directors						
M E Mkwanazi (Chairman)	62		Member	Member		
C A Boles[2]	47					Chairperson
L C Cele	63	Member			Chairperson	Member
T P Leeuw	53	Chairperson	Member			Member
N Maharajh[1]	50					
N N A Matyumza	53	Member		Chairperson		Member
Dr B Mehlomakulu[3]	44					
G H M Watson	65			Member		Member
P H Staude	63		Chairperson			Member
Non-executive directors						
V N Khumalo	54				Member	
J B Magwaza[4]	74			Member	Member	
G C Zondi (Alternate)[5]	43					
S P P Ngwenya	63				Member	
Executive directors						
R G Jacob (CEO)	51		Member		Member	
D A Austin[4]	59					
A P Krull[6]	42		Member			
M Z Mkhize	55		Member			

* *Safety, Health and Environment*
\# *Attendance by invitation*
[1] *Appointed as director 1 September 2016*
[2] *Appointed as director 1 October 2016*
[3] *Appointed as director 1 November 2016*
[4] *Resigned 30 April 2016*
[5] *Appointed as an alternate director 1 May 2016*
[6] *Appointed as director 1 May 2016*

COMMITTEE ATTENDANCE REGISTER FOR THE YEAR ENDED 31 DECEMBER 2016

	BOARD	AUDIT	RISK AND SHE*	REMUNERATION AND NOMINATION	TRANSFORMATION, SOCIAL AND ETHICS	CHAIRMAN'S COMMITTEE
Independent non-executive						
M E Mkwanazi	5 of 5		3 of 3	6 of 6		3 of 3
C A Boles[2]	2 of 5	1 of 3[#]				
L C Cele	5 of 5	2 of 3			2 of 2	3 of 3
T P Leeuw	5 of 5	3 of 3	3 of 3			3 of 3
N Maharajh[1]	2 of 5					
N N A Matyumza	5 of 5	2 of 3		6 of 6		3 of 3
Dr B Mehlomakulu[3]	1 of 5					
P H Staude	4 of 5		3 of 3			2 of 3
G H M Watson	5 of 5			6 of 6		3 of 3
Non-executive						
V N Khumalo	5 of 5	3 of 3[#]			2 of 2	
J B Magwaza[4]	2 of 5			3 of 6	0 of 2	
S P Ngwenya	5 of 5				2 of 2	
G C Zondi[5]	0 of 5					
Executive						
R G Jacob (CEO)	5 of 5		3 of 3	6 of 6[#]	2 of 2	3 of 3[#]
D A Austin[4]	2 of 5	1 of 3[#]	1 of 3		0 of 2[#]	
A P Krull[6]	3 of 5	2 of 3[#]	2 of 3		2 of 2[#]	3 of 3[#]
M Z Mkhize	5 of 5		3 of 3			

* *Safety, Health and Environment*
[#] *Attendance by invitation*
[1] *Appointed as director 1 September 2016*
[2] *Appointed as director 1 October 2016*
[3] *Appointed as director 1 November 2016*
[4] *Resigned 30 April 2016*
[5] *Appointed as an alternate director 1 May 2016*
[6] *Appointed as director 1 May 2016*

Corporate governance continued

BOARD COMMITTEES

AUDIT COMMITTEE

CORE RESPONSIBILITIES

The responsibilities of the committee and details of the execution of the duties of the committee during the year under review are set out in the Report of the Audit Committee on pages 90 to 91.

CHAIRMAN

T P Leeuw (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

N N A Matyumza
L C Cele
N Maharajh appointed with effect from 1 February 2017

Note: The members were re-elected at the annual general meeting held in April 2016.

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

INVITEES

D A Austin (CFO)[1]
A P Krull (CFO)[2]
C A Boles (independent non-executive director) with effect from 1 February 2017
V N Khumalo (non-executive director)

Representatives of internal and external auditors
A Petticrew (Financial Manager responsible for internal audit)

SECRETARY

W Fitchat (Company Secretary)

RISK AND SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

CORE RESPONSIBILITIES

The responsibilities of the committee are set out in written terms of reference. These terms of reference and the company's risk appetite statement were adopted by the board. The Risk and SHE* Committee's key responsibilities are:

- Overseeing and monitoring the development and implementation of a risk management framework, policy, strategy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Hulamin
- Recommend levels of tolerance and appetite for risk to the board
- Report to the board information relevant to risk management and procure independent assurance regarding the effectiveness of the risk management process
- Oversee and monitor the implementation of safety, health and environment policies, strategies, targets, plans and systems and review the safety, health and environment risk profile

CHAIRMAN

P H Staude (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

M E Mkwanazi
T P Leeuw
G H M Watson with effect from 1 February 2017

EXECUTIVE DIRECTORS

R G Jacob
M Z Mkhize
D A Austin[1]
A P Krull[2]

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

INVITEES

FB Bradford (Group Executive: Metals)
HT Molale (Managing Director: Hulamin Extrusions)
BA Mngadi (Group Executive: Corporate Affairs)
I Smith (Strategic Project Manager)
DR Weisz (Group Executive: Sales, marketing and market development)
D Cantieni (Manufacturing support)[3]

SECRETARY

W Fitchat (Company Secretary)

* *Safety, Health and Environment*
[1] *Resigned 30 April 2016*
[2] *Appointed 1 May 2016*
[3] *Resigned 31 January 2016*

REMUNERATION AND NOMINATION COMMITTEE

CORE RESPONSIBILITIES

The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Remuneration and Nomination Committee's key responsibilities are:

- Formulation of employment and reward strategies to attract and retain executives and senior management
- Recommend to the board the remuneration of directors and senior management
- Recommend to the board changes in the composition of the board and the appointment and removal of directors

The Chairman of the board serves as chairman of the committee for nomination matters.

CHAIRMAN

N N A Matyumza (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

C A Boles with effect from 1 February 2017
M E Mkwanazi (Chairman of Nomination agenda items)
G H M Watson

NON-EXECUTIVE DIRECTORS

J B Magwaza[1]

The nomination of board members to be considered at the annual general meeting of shareholders is the responsibility of the board.

FREQUENCY OF SCHEDULED MEETINGS

Four meetings per annum

INVITEES

R G Jacob (CEO)
MA Janneker (Group Executive: Human capital)

SECRETARY

W Fitchat (Company Secretary)

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

CORE RESPONSIBILITIES

The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

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 and on whistle-blowing

CHAIRMAN

L C Cele (independent non-executive)

COMPOSITION

NON-EXECUTIVE DIRECTORS

J B Magwaza[1]
S P Ngwenya
V N Khumalo

EXECUTIVE DIRECTORS

R G Jacob

GROUP EXECUTIVES

BA Mngadi
MA Janneker

INVITEES

D A Austin (CFO)[1]
A P Krull (CFO)[2]

FREQUENCY OF SCHEDULED MEETINGS

Two meetings per annum

SECRETARY

W Fitchat (Company Secretary)

[1] *Resigned 30 April 2016*
[2] *Appointed 1 May 2016*

Corporate governance continued

CHAIRMAN'S COMMITTEE

CORE RESPONSIBILITIES
The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Chairman's Committee key responsibilities are:

- Address matters relating to governance or relationships/dynamics within the board
- Progress specific strategic projects

CHAIRMAN
M E Mkwanazi (independent non-executive)

COMPOSITION
NON-EXECUTIVE DIRECTORS
L C Cele
T P Leeuw
N N A Matyumza
P H Staude
G H M Watson

INVITEES
R G Jacob (CEO)
A P Krull (CFO)[2]

FREQUENCY OF SCHEDULED MEETINGS
As and when required

SECRETARY
W Fitchat (Company Secretary)

GROUP EXECUTIVE COMMITTEES
The group has a number of executive committees consisting of executive directors and other senior executives, with formal terms of reference approved by the board.

EXECUTIVE COMMITTEE

CORE RESPONSIBILITIES
The objective of the committee is to assist Hulamin's board in discharging its responsibilities, while acting within the parameters of the authority limits agreed by the board. The responsibilities of the committee are set out in written terms of reference, which are reviewed from time to time.

The Executive Committee's key responsibilities are:

- Recommend the business strategy, business plans and budgets to be adopted by the group
- Manage the implementation and execution of business strategies and plans approved by the board
- Recommend major acquisitions and disposals as part of the group's business strategy
- Ensure the group's systems of internal control, governance (including that of information technology) and risk management are both robust and well managed
- Implement the approved authorities matrix managed within the organisation and approve the appointment of senior managers and the members of the group's other executive committees
- Approve the capital expenditure plans of the group, within the budget approved by the board

CHAIRMAN
R G Jacob

COMPOSITION
The Executive Committee consists of the executive directors and other senior executives.

The current members are:

D A Austin[1]
F B Bradford
C Fisher[4]
M A Janneker
A P Krull[2]
M Z Mkhize
B A Mngadi[3]
H T Molale
D R Weisz

FREQUENCY OF SCHEDULED MEETINGS
11 meetings per annum

SECRETARY
W Fitchat (Company Secretary)

[1] *Resigned 30 April 2016*
[2] *Appointed 1 May 2016*
[3] *Appointed 1 June 2016*
[4] *Appointed 1 January 2017*

GOVERNANCE AND LEADERSHIP

BROAD-BASED BLACK ECONOMIC EMPOWERMENT (B-BBEE) COMMITTEE

CORE RESPONSIBILITIES

The Hulamin B-BBEE Committee reports to the Transformation, Social and Ethics Committee on the six elements of the B-BBEE scorecard, which are: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.

The B-BBEE Committee's key responsibilities are:

- To provide strategic direction with regard to Hulamin's overall B-BBEE strategy
- Align Hulamin's B-BBEE strategy with the overall business strategy of the company
- Monitor and review B-BBEE progress within Hulamin
- Provide the mandate for the setting of targets for the various B-BBEE elements
- Development of appropriate strategies and processes for the achievement of B-BBEE targets
- Review the progress towards the achievement of the B-BBEE targets and provide direction where challenges are experienced
- Ensure the appropriate communication of the company's B-BBEE strategy and the implementation thereof
- Create a platform for sharing B-BBEE information and relevant experiences from which we can learn
- Review the company's compliance with employment legislation and regulatory requirements, e.g. the Employment Equity Act, Black Economic Empowerment Act
- Report to the Transformation, Social and Ethics Committee

CHAIRMAN

R G Jacob

COMPOSITION

D A Austin[1]
FB Bradford
H de Villiers
MA Janneker
N Kanyile
A P Krull[2]
M Z Mkhize
AK Randles
M Reddy
MW Webb
DR Weisz

FREQUENCY OF SCHEDULED MEETINGS

Four meetings per annum

SECRETARY

N Mkhize (Organisational Development Manager)

RISK MANAGEMENT COMMITTEE

CORE RESPONSIBILITIES

While the board is ultimately accountable for risk management through the Risk and SHE* Committee, the implementation of the group's risk management policies and systems of internal control is an integral part of management of the group's operations.

The Risk Management Committee's key responsibilities are:

- Recommend to the Risk and SHE* Committee the risk management strategies and policies of the group
- Review the integrity and appropriateness of the group's systems of risk assessment and management
- Identify new or emerging risks related to all aspects of the business, including financial, operational and compliance risks
- Monitor risk reduction actions
- Review the internal controls that have been implemented to manage significant risks, and the assurance provided in respect of those controls
- Report on its activities to the Risk and SHE* Committee

CHAIRMAN

D A Austin[1]
A P Krull[2]

COMPOSITION

FB Bradford
C Fisher
R G Jacob
MA Janneker
M Z Mkhize
HT Molale
BA Mngadi
A Petticrew
I Smith
DR Weisz

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

SECRETARY

W Fitchat (Company Secretary)

* *Safety, Health and Environment*
[1] *Resigned 30 April 2016*
[2] *Appointed 1 May 2016*

Corporate governance continued

INFORMATION TECHNOLOGY (IT) MANAGEMENT COMMITTEE

CORE RESPONSIBILITIES
The IT Management Committee's key responsibilities are:

- Ensure that an IT governance charter and policies are established and implemented
- Promote an ethical IT governance and management culture
- Provide leadership and direction to ensure that the IT function achieves, sustains and enhances the company's strategic objectives
- Ensure that an IT governance framework is adopted and implemented and that the board via the Audit Committee receives independent assurance on the effectiveness thereof
- Ensure that the IT strategy is integrated within the company's strategic and business processes
- Ensure there is a robust process in place to identify and exploit appropriate opportunities to improve the performance and sustainability of the company
- Oversee management who is responsible for the implementation of all the structures, processes and mechanisms to execute the IT governance framework
- Ensure the company obtains independent assurance on the governance of IT, and that adequate controls are in place for outsourcing IT services
- Ensure IT legal risks are addressed
- Ensure that there are systems in place for the management of information assets
- Ensure that the information security strategy is successfully implemented
- Ensure appropriate reporting to the Executive Committee and to board committees

CHAIRMAN
D A Austin[1]
A P Krull[2] (Effective June 2016)

COMPOSITION
FB Bradford
H de Villiers
C Fisher
T Hawkins
Y Moodley
A Petticrew
M Reddy
I Smith
L Steenkamp
M Webb (Effective December 2016)

FREQUENCY OF SCHEDULED MEETINGS
Six meetings per annum

SECRETARY
D Seager (Senior IT Manager)

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

CORE RESPONSIBILITIES
The Safety, Health and Environment Committee's key responsibilities are:

- Review SHE* performance
- Review major SHE* risks
- Monitor actions to reduce SHE*-related risks
- Identify new or emerging risks related to SHE*
- Review of the internal controls to manage SHE* risks
- Report to the Risk and SHE* Committee

CHAIRMAN
FB Bradford

COMPOSITION
D A Austin[1]
R G Jacob
H de Villiers
R Green-Thompson
P Grobler
D Jackson
MA Janneker
A P Krull[2]
P M Lancaster
M Z Mkhize
BA Mngadi
HT Molale
M Ramdeen
M Reddy
DR Weisz

FREQUENCY OF SCHEDULED MEETINGS
Three meetings per annum

SECRETARY
D Jackson
(Chemist and Environmental Specialist)

* *Safety, Health and Environment*
[1] *Resigned 30 April 2016*
[2] *Appointed 1 May 2016*

COMPANY SECRETARY

The board is satisfied that the Company Secretary is appropriately qualified, competent and experienced for his position in a listed company, which was considered at the December 2016 board meeting. Hulamin's Company Secretary plays a pivotal role in the continuing effectiveness of the board, ensuring that all directors have full and timely access to information that helps them to perform their duties and obligations, and enables the board to function effectively.

The Company Secretary's key duties with regard to the directors include, but are not limited to, the following:

- Collating and distributing relevant information, such as board meeting agenda items, and board/committee meeting papers, corporate announcements, investor communications and any other developments affecting the Hulamin group
- Providing guidance to the directors on their individual and collective powers and duties
- Inducting new directors together with the company's sponsor. This includes a briefing of their fiduciary and statutory duties and responsibilities, including those arising from the JSE Listings Requirements
- Providing regular updates on changes to laws and regulations affecting the Hulamin group
- The Company Secretary is responsible for the functions specified in section 88 of the Companies Act, 2008 (as amended). All meetings of shareholders, directors and board committees are properly recorded as per the requirements of the Act

The Company Secretary is not a director of any of the Hulamin group operations, nor is he related to or connected with any of the directors which could result in a conflict of interest and accordingly it is concluded that an arm's length relationship with the board and its directors is maintained. The Company Secretary reports to the Chief Financial Officer and has a direct channel of communication to the Chief Executive Officer and to the Chairman. The removal ofthe Company Secretary would be a matter for the board as a whole.

STAKEHOLDER RELATIONSHIPS

Hulamin subscribes to the principles on stakeholder management expressed in the King III Code. Management has developed a strategy and formulated policies for the management of relationships with each stakeholder grouping, and an integrated approach to stakeholder management within the group is adopted to strive for consistency and balance in treatment across stakeholder categories.

The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders.

In addition, management regularly meets with investors and institutional stakeholders on a one-on-one basis.

The group website (www.hulamin.co.za) is also used for this purpose. Hulamin invites all shareholders to attend its annual general meeting and also facilitates participation by way of focused proxy solicitation.

Hulamin strives to resolve disputes with its stakeholders effectively and expeditiously. Hulamin has a preference to settle disputes rather than to litigate and uses alternative dispute resolution mechanisms whenever appropriate.

ACCESS TO INFORMATION

Hulamin complies with the requirements of the Promotion of Access to Information Act, 2000. Details are available on Hulamin's website.

During 2016, the Hulamin group received no requests for access to a record under the Promotion of Access to Information Act, 2000.

CODE OF ETHICS

The group's Code of Ethics requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business and also outlines the group's position on gifts and entertainment. The Code of Ethics has been actively endorsed by the board and distributed to all employees in the group. The Code is designed to raise ethical awareness, act as a guide in day-to-day decisions and to assure customers and other stakeholders of the group's commitment to ethical behaviour.

An important element of the induction process is to communicate to new employees the Code of Ethics, the group's core values and its compliance procedures.

Compliance by all employees with 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.

Appropriate action has been taken in respect of all reported instances of non-compliance with the Code by employees.

POLITICAL DONATIONS

Hulamin does not contribute any funding to political parties, their elected representatives or persons seeking political office.

Corporate governance continued

WHISTLE-BLOWING

Hulamin has an established whistle-blowing policy and has an anonymous reporting facility (the Hulamin Vuvuzela Fraud and Ethics Line), enabling employees and other stakeholders to report fraudulent, corrupt or unethical behaviour related to any of the group's activities, without fear of victimisation and retribution. Anonymity is guaranteed and the facility is managed in compliance with the Protected Disclosures Act, No 26 of 2000.

Contact details of the Vuvuzela Fraud and Ethics Lines are as follows:
Toll-free number: 080 225 5 688

Toll free facsimile: 080 000 7788

E-mail: Hulamin@tip-offs.com

Website: www.tip-offs.com

All fraud and theft matters are reported to the Audit Committee. There were no significant frauds or thefts during the period under review.

PRICE-SENSITIVE INFORMATION

No director, officer or employee may deal either directly or indirectly in the company's shares on the basis of unpublished price-sensitive information regarding the company's business or affairs. In addition, no director, officer or employee in possession of price-sensitive information may trade in the company's shares during closed periods. Closed periods are from the end of the interim and annual reporting periods to the announcement of financial and operating results for the respective periods, and while the company is under a cautionary announcement.

COMPLIANCE FRAMEWORK

Hulamin's compliance framework rests on the company's comprehensive set of policies in this respect. These are updated to reflect governance best practice and the changing legal environment. All Hulamin group companies and employees are obliged to comply with these policies.

Non-compliance risks are reviewed by the Risk Management Committee.

No judgement, damages, penalties or fines were recorded and/or levied against any group company, directors or employees during the period under review for non-compliance with any legislation.

Refer to our website at www.hulamin.co.za for more detail on the group's corporate governance.

HULAMIN

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.

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

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. The framework, ISO 31000, which is based on the ERM framework published by the International Organisation for Standardisation (ISO) of the Treadway Commission, 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; improving allocation and deployment of capital; ensuring compliance with laws and regulations; and increasing the probability of achieving objectives.

RISK MANAGEMENT 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 Safety, Health and Environment (SHE) 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, which, together with the Hulamin SHE Committee, is accountable to the Risk and SHE 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 the 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

PRINCIPAL RISKS

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. These are reviewed by the Risk and SHE Committee three times a year.

The key strategic risks of the group, extracted from the group risk register, are shown in the table on pages 79 to 81. 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 financial controls:* Internal audit provides a written statement annually to the Audit Committee on the effectiveness of the systems of internal financial control.
- *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

	Principal risk	Risk consequence	Risk response	Link to strategy
i	The weak economic climate in South Africa, waning political confidence and unclear policy direction, leading to a further ratings downgrade • Change in risk outlook of financing institutions • Period of austerity to improve credibility with ratings agencies • Unemployment or underemployment	Reduced liquidity and an increase in the cost of debt	• Committed working capital funding in place • Reduction in working capital with lower inventory and debtor balances; and extended payment terms to creditors • Improve cash flow by expanding local market sales, in particular can stock products	1, 2, 3 A, C
		Weakening currency or currency volatility	• A weaker Rand benefits revenue generated from export sales • Board approved policies have been established, risk is reported to board, hedging system in place and results monitored • All foreign currency transactions are hedged	1, 2 C
		Reduced investment in infrastructure	• 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 use and maintain back up generating capability	3, 1, 4 C, A, E
ii	The breakdown of social cohesion and trust as result of poor growth and slow economic transformation • Greater social instability and unrest • Shift in political discourse resulting in delayed roll-out of growth policies • Capital and investment moving away from South Africa	Greater militancy and protracted wage negotiations	• Continuous engagement with the Union and Union representatives • Annual survey and active programmes to improve employee engagement	1 A
		Constrained local market growth and a continued reliance on export market sales	• Engagement with all levels of government to promote the value of the aluminium industry to the local economy	5 E
		Capital and investment moving away from South Africa	• Relationship building and engagement with multinational customers to promote Hulamin's value proposition in South Africa • Cooperate with industry and DTI regarding incentive programmes for industrial development coupled with local sourcing	3 C

Risk management continued

	Principal risk	Risk consequence	Risk response	Link to strategy
iii	Commodity down cycle affecting revenue and aggregate demand in emerging economies • Growth in energy economies in Africa remain depressed for longer, resulting in under investment in infrastructure and industry • Under investment in commodity project pipelines lead to scarcity when aggregate demand recovers • Limited packaging demand growth due to limited consumer spending power • Migration of skills to developed economies	Low regional demand for aluminum semi-fabricated products	• Diversification of local and regional markets towards further beneficiation of Hulamin's products for export (e.g. Automotive Body Sheet) • Ongoing exploitation of high value export product markets	3, 1 C, A
		Energy price shock	• Reduce dependence on LPG with its strong link to petroleum pricing and currency volatility, by converting to Natural or Methane-Rich Gas. • Ongoing programmes to enhance energy efficiency	2 B
		Skills retention and scarcity	• Competitive remuneration and incentive schemes offered to attract new employees and enhance retention • Effective contractual arrangements with key executives • Development programmes to enhance the pool of leadership skills • Ongoing development of succession plans for key roles	1 A
iv	The global economy is in a state of flux with political upheaval in many of the developed economies with nationalist campaigns seemingly usurping the liberal democratic order.	Pervasive campaigning for protectionist trade policies and termination of favourable trade agreements	• Engagement with the DTI to negotiate the maintenance of existing favourable trade agreements like AGOA. • Develop local and regional sales, including the promotion of local market OEM type products	3, 5 C, E
v	Global macroeconomic underperformance due largely to the "new normal" Chinese economy • Shift in asset investment and exports to internal consumption in China • Asset bubbles in developed economies as well as China • Leverage induced contagion through the banking systems • Loss in business confidence affecting investment, consumption and income	Lower global growth outlook limiting aggregate demand and escalating competition for market share	• Monitor competitor actions • Pursue manufacturing excellence and low cost of production • Optimise production mix and entrench positions in profitable market sectors • Continue with progress up the profitability curve and new product development • Develop local and regional sales, including the promotion of local market OEM type products	1, 2, 3 A, B, C

	Principal risk	Risk consequence	Risk response	Link to strategy
vi	Global oversupply of aluminium semi-fabricated products, driven by continued capacity investments in China • Investment in capacity exceeds demand growth, leading to lower utilisation rates over the next 5 to 10 years • Greater protection in the form of subsidisation or trade barriers, limiting or skewing global trade flows • Shift in technology to counteract the product capability of the Chinese industry	Greater competition for global market share with depressed conversion margins	as per v above	as per v above
		Investment in new product or process technology	• Ongoing development of international technology relationships to support product development and innovation • Periodical review of capability investment • Proven competence in capability development and capital investment projects	1 A, C
		Subsidisation of products exported from China	• Focus on developing OEM market sectors in South Africa • Continue with the application for tariff protection • Enhance non-tariff barriers where possible	5, 3 E, C
vii	Failure of climate-change mitigation and adaption • Water scarcity impacting on the ability of industry to produce • Food crises with many interrelated risk consequences	Water scarcity affecting manufacturing operations	• Projects to reduce water consumption in all cooling towers • Projects to limit water dumping • Increase the water storage capacity on site • Investigation in the use of recycled water on all manufacturing sites • Engaged the services of the NCPC (National Cleaner Production Centre) to get a sponsored water efficiency programme running on site	1, 2 A, B
viii	Escalating measures to mitigate the impact of climate change, sparked by greater advocacy and social unrest • Policies of economical sanction (Carbon tax, legislated limits on older technologies) • Technological shifts resulting in the redundancy of existing technology, resources or competencies • Large scale capital investment in green technology	Introduction of Carbon Tax in South Africa and other legislation	• Engagement with government regarding an appropriate approach to the levying of carbon tax on the aluminium industry • Ongoing efforts to reduce Hulamin's electricity and gas consumption	5, 2 E, B
		Large scale capital investment for new technology	• Capital expenditure programme includes ongoing investment in relevant and efficient equipment updates	1, 2 A, B
		Cost of sustainable or renewable energy	• Opportunity evaluation of renewable energy technologies with consideration of OEM funded solutions • Access to secure lower cost gas supply open up more efficient CHP energy options	2 B

	Horizon I	Horizon II	Horizon III
Strategic objectives key	Strengthen the core to compete	Improving rolling margins	Build assets of tomorrow
1 Achieve benchmark operational performance	A	A	A
2 Achieve global cost competitiveness	B		B
3 Grow local and regional sales		C	C
4 Secure competitive aluminium supply		D	D
5 Supportive regulatory environment		E	E

Refer to page 28 for more detail on our strategic objectives

Remuneration report

PHILOSOPHY

The major aim of the reward structures is to align the remuneration interests of Hulamin employees with its key stakeholders, to support the growth of a high-performance culture and to enable Hulamin to attract, motivate and retain the best talent as part of an integrated human resources strategy. This strategy is a key enabler for the achievement of Hulamin's strategies and goals.

Hulamin's remuneration philosophy supports a high performance culture and provides the foundation for innovation through the provision of appropriate short-term and long-term performance-related rewards that are fair and achievable.

REMUNERATION AND NOMINATION COMMITTEE (REMCO)

The role, structure and composition of the REMCO is covered in the section on Corporate Governance. The major guidelines that support the application of the reward philosophy are outlined below.

STRUCTURE OF REMUNERATION PACKAGES

The structure of remuneration packages is aligned with business needs, is market related and competitive. To this end Hulamin conducts annual market surveys and takes action to ensure that pay levels, structures, composition and mix are in line with market and industry-specific trends. Hulamin reviews the appropriate mix between guaranteed and variable pay as well as short-, medium- and long-term elements of compensation from time to time to ensure they remain market-related.

GUARANTEED PAY

Employees' guaranteed pay consists of basic salary and the company contributions towards retirement funding and healthcare.

Component of remuneration		Purpose	Additional detail
Guaranteed pay elements	BASIC SALARY	To remunerate, attract and retain employees with the required skills	Remain competitive on as measured by regular benchmark exercises. Increases are merit based
	COMPANY CONTRIBUTIONS TO MEDICAL AID AND RETIREMENT SAVING	To encourage saving for retirement and to enhance the daily well-being of employees	Medical aid and retirement benefits
Variable pay elements	SHORT TERM INCENTIVES	To serve as a short-term incentive to drive specific performance objectives and behaviour	The Short Term Incentive (STI) scheme is based on a combination of corporate financial targets, divisional operational targets and individual performance. These are determined and assessed annually
	LONG-TERM INCENTIVES	To retain key skills and to incentivise employees to achieve the long-term objectives of the Group	Align long-term commitment to the interests of the Group and to provide a disincentive for employees to change employer.

BENCHMARKING	Regular independent benchmark exercises are conducted to determine market rates of pay.
MARKET PREMIUMS	Hulamin recognises that flexibility may be necessary from time to time to attract and retain scarce skills and members of designated groups in order to meet demographic objectives
ANNUAL INCREASES	Annual cash salary adjustments are determined by taking into account an individual's pay relative to the market as well as his/her performance and retention objectives as appropriate

HULAMIN

GOVERNANCE AND LEADERSHIP

VARIABLE PAY

SHORT TERM INCENTIVE SCHEME

With effect from 2016 the previously used Annual Performance Bonus Scheme has been replaced with the Short Term Incentive (STI) Scheme. Notable changes include the introduction of operational performance measures, and the removal of adjustment mechanisms for currency and commodity movements. The hurdle rate was increased from 60% to 80% of target performance with increases available for exceeding targeted performance ("out-performance").

Executive directors and senior managers participate in the STI. 197 executive and senior management employees participated in the STI in the year under review.

The STI consists of five different levels of incentive for on-target performance.

Level of management	% of TGP
Chief Executive Officer	60
Chief Financial Officer	50
Executive	40
Senior management	25 to 33
Middle management	15

The primary purpose of the STI is to serve as an incentive to align behaviour with corporate performance targets. Group employees are incentivised against financial and individual targets. Divisional employees are set financial, operational and individual targets. This was done to ensure "line of sight" between employee STI targets and variables over which they have control. The weighting of the targets is as follows:

Level of management	Financial and operational targets %	Individual performance %
CEO	80	20
Executive	75	25
Senior Management	65 to 70	30 to 35
Middle Management	60	40

FINANCIAL TARGETS

The financial targets are related to EBIT, and operating cash flow (each having an equal weighting).

These financial targets are based on targets set for Hulamin as a whole as well as individual business operations and are agreed to by the Board.

All financial targets have an upper (140%) and a lower (80%) limit at which 250% or 20% of the bonus is paid *pro rata.*

OPERATIONAL TARGETS

Operational targets are set at division level.

The operational targets are set against Board approved budgets for sales volumes, operational costs, high value sales mix, recoveries and safety and are reviewed annually.

INDIVIDUAL PERFORMANCE

Hulamin applies sound performance management processes at executive and senior management level to ensure that there is a direct link between performance and variable pay.

Annual key performance indicators, measures and targets for individual employees are cascaded into key performance areas and targets for the various levels of management and for the operating divisions.

Hulamin applies the principle of differentiation based on performance. Exceptional performers will receive individual performance scores that are significantly higher than the average, and similarly, an individual who performs poorly will receive a low individual performance score.

In terms of the STI scheme, the poorest performers are excluded from the incentive.

EXECUTIVE PERFORMANCE BONUS

Hulamin's executive performance bonuses for the financial year 2016 were calculated on the achievement of financial targets, an assessment of personal performance and operational performance where the executive is employed solely in one of the operating divisions.

In respect of the CEO and executives, the achievement of the financial and operational targets for the 2016 financial year was calculated as follows:

	% Financial performance	% Operational performance	Bonus as % of TGP
CEO	102,7	–	68
CFO	102,7	–	52
Executives – Group	102,7	–	42
Executives – Rolled Products	102,3	111,8	46
Executives – Extrusions	110,4	86,7	32

GUIDELINE

The payment of bonuses for each component (financial, operational and individual performance) of the respective awards is determined independently, except that only the top 95% of individual performers qualify.

Following the introduction of the new STI in 2016, incremental changes to the scheme will be considered from year to year to bring about gradual improvements, taking into account experience from the previous year as well as market developments and trends.

The Remuneration and Nomination Committee and the board have the discretion to decide on the payment or non-payment of incentive awards.

LONG-TERM INCENTIVE PAY

The company's long-term incentives consist of conditional share based schemes. The variable component of Hulamin's remuneration packages is structured to include market related long-term incentives for executives and senior management, aligned to company performance and take into account the accounting cost, as well as prevailing taxation provisions. To this end, share-based schemes complement base pay and annual STI which are based on international best practice in the form of a:

- Share Appreciation Right Scheme (SARS)
- Long-Term Incentive Plan (LTIP)

Remuneration report continued

SARS
Under the SARS, rights are offered to eligible executives and senior managers in the form of performance-based conditional awards.

The performance conditions governing the vesting of the above-mentioned scheme instruments are related to growth in headline earnings per share. Targets are designed to be challenging but achievable. Targets are based on the company's medium-term business plan, covering three-year performance periods. The combined value of awards, which are made annually is based on retention objectives and individual employee performance.

LTIP
Under the LTIP, shares are offered on a once-off to eligible senior employees in order to attract and retain top talent. These LTIP awards do not bear performance conditions, vest over a three year period and are approved by the Board.

GUIDELINE
The value of annual grant awards under the SARS is linked to a percentage of an average cash salary for the grade, the individual's performance rating and market benchmarks in line with prevailing local and international best practice.

OVERALL AND INDIVIDUAL LIMITS
The cumulative maximum number of shares which may be issued in terms of the share schemes may not exceed 31 300 000 shares. The maximum number of shares settled in respect of the share schemes to any participant shall not exceed 3 130 000 shares.

ESOP TRANSACTION
In 2015, the board approved a revised employee share ownership plan ("2015 ESOP") which represents 3,4% of the company value.

Hulamin values its employees as key contributors to the historic and ongoing performance of the business. Hulamin invited all permanent South African-based employees up to middle management and all permanent South African black senior management to participate in the BEE transaction through the 2015 ESOP. Over 90% of participants are black. Participation in the 2015 ESOP was offered with the following overall objectives in mind:

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

The 2015 ESOP scheme consists of both free issue and funded shares, whereby participants participate in dividends payable to ordinary shareholders.

OTHER BENEFITS
Membership of the Hulamin Pension Fund is compulsory for all senior management. Hulamin also provides disability and life insurance benefits to members of the fund. Medical aid benefits and a gratuity at retirement are also provided.

NOTICE/TERMINATION CONDITIONS FOR EXECUTIVES
The Chief Executive Officer and executives are subject to a three-month and two-month notice period respectively.

Executive employment contracts do not allow for termination or balloon payments except with the approval of the Board. In the event of early termination there is no automatic entitlement to bonuses or share-based incentives.

In the case of a change in control, there is no automatic severance compensation to executives. In such cases, the company's retrenchment policy may apply.

NON-EXECUTIVE DIRECTORS' REMUNERATION
Non-executive directors receive fees for their services on the board and board committees. Directors' fees comprise a fixed component which is paid for holding the office of director, and a variable element for attendance at regular scheduled meetings of the board and/or sub-committees.

Non-executive directors who serve on a board sub- committee as an invitee, are paid the same attendance fee as members of that board sub-committee. This payment was approved by shareholders at the 2016 annual general meeting.

Fees for non-executive directors are reviewed annually. Fees are recommended by the Remuneration and Nomination Committee and are submitted to and shareholders for approval at each annual general meeting.

Non-executive directors do not participate in the group's STI scheme or share incentive schemes.

J B Magwaza, S P Ngwenya and GC Zondi, through their interests in Imbewu Consortium and Makana Investment Corporation respectively, are participants in the Hulamin BEE entity (see page 144 for further details on the Hulamin BEE equity transaction).

The remuneration of directors and prescribed officers for the year is detailed in the notes to the annual financial statements.

Attract, motivate and retain the best talent


S6

FINANCIAL STATEMENTS

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Directors' statement of responsibility and approval

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the group, which have been prepared in accordance with International Financial Reporting Standards, the Companies Act, No 71 of 2008, as amended, and the JSE Listing Requirements, under the supervision of the Chief Financial Officer, Mr A P Krull CA (SA).

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 have complied with all applicable accounting 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 2016, 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 are of the opinion that the company and the group will continue 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 controls and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing has come to the attention of the directors which indicates that, in all material aspects, Hulamin's system of internal controls and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The opinion of the directors is supported by the group's Audit Committee.

The company's independent external auditors, PricewaterhouseCoopers, have audited the annual financial statements and their unqualified report appears on page 94.

The annual financial statements as set out on pages 98 to 159 were approved by the board of directors on 23 February 2017 and are signed on its behalf by:

Mafika Mkwanazi
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
23 February 2017

Certificate by Company Secretary

In terms of section 88 of the Companies Act, No 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 31 December 2016, all such returns as are required of a public company in terms of the aforesaid Act, and that all such returns are true, correct and up-to-date.

Willem Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
23 February 2017

HULAMIN

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 III, for the financial year ended 31 December 2016.

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, who were appointed by shareholders at the 2016 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:

- T P Leeuw (Chairman)
- N N A Matyumza
- L C Cele

V N Khumalo, C A Boles, A P Krull (Chief Financial Officer), the financial manager responsible for internal audit and representatives from the external and internal auditors also attended the committee meetings by invitation.

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 section of this integrated annual report of the group.

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 III.

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 work plan 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 financial 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; and
- Ensuring that the combined assurance model introduced by the King III Code is applied to provide a coordinated approach to assurance activities.

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 a 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.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2016 year as disclosed in note 18.3 of the financial statements of the group and note 7.1 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 approved all engagements for the provision of non-audit services by the external auditor, in terms of the established policy for non-audit services.

Report of the Audit Committee continued

The committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers as the external audit firm and Mr H Govind as the designated auditor responsible for performing the functions of auditor, for the 2017 year. The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

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 2016, 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.

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 88. The committee supports the opinion of the board in this regard.

INTEGRATED REPORTING, SUSTAINABILITY AND COMBINED ASSURANCE

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

The committee considered the company's sustainability information as disclosed in the integrated annual report and separate sustainability report of the group for the year ending 31 December 2016 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 2016 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 has, at its meeting held on 20 February 2017, recommended the 2016 integrated annual report for approval by the board of directors.

GOING CONCERN

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company as at 31 December 2016 and has made a recommendation to the board in this respect. The board's statement on the going concern status of the company, as supported by the committee, is detailed on page 88.

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.

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.

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 2016 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.

On behalf of the Audit Committee:

Thabo Leeuw
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
20 February 2017

Directors' statutory report

Dear shareholder
The directors have pleasure in presenting their report for the year ended 31 December 2016.

NATURE OF BUSINESS
The Hulamin group consists of two main operations: Hulamin Rolled Products and Hulamin Extrusions. Their activities are dealt with separately in note 2 of the group financial statements.

FINANCIAL RESULTS
The net profit attributable to shareholders of the group for the year ended 31 December 2016 amounted to R384 933 000 (2015: R163 714 000). This translates into headline earnings per share of 119 cents (2015: 37 cents) and normalised earnings per share of 119 cents (2015: 55 cents) based on the weighted average number of shares in issue during the year.

The financial statements on pages 98 to 159 set out the financial position, results of operations and cash flows of the group and company for the financial year ended 31 December 2016.

DIVIDENDS
A final dividend of 15 cents per share was declared for the year ended 31 December 2016 (2015: nil).

No interim dividend was declared for the year ended 31 December 2016 (2015: 8 cents).

SHARE CAPITAL
There were no changes in the authorised share capital of the company in the year ended 31 December 2016:

Details of the authorised, issued and unissued ordinary shares and the group's share incentive schemes are set out in notes 11 and 32 of the group financial statements.

SUBSIDIARY COMPANIES
The principal subsidiaries of the group are reflected in note 33 of the group financial statements. There were no special resolutions adopted by subsidiaries of Hulamin Limited in 2016.

DIRECTORATE
Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration are reflected in note 31 of the group financial statements.

Mr A P Krull was appointed Chief Financial Officer effective 1 May 2016 following the resignation of Mr D A Austin.

Mr J B Magwaza resigned from the board of directors with effect from 30 April 2016.

Mr G C Zondi was appointed as an alternate non-executive director to Mr S P Ngwenya with effect from 1 May 2016.

In terms of the board succession plan the following non-executive directors were appointed: Mr N Maharajh with effect from 1 September 2016, Mr C A Boles with effect from 1 October 2016 and Dr B Mehlomakulu with effect from 1 November 2016.

These directors and Mr A P Krull who was appointed to fill a vacancy on the board with effect from 1 May 2016, will retire at the annual general meeting in accordance with the Memorandum of Incorporation. The Remuneration and Nomination Committee, at its meeting on 10 November 2016, recommended that they be re-elected and, all being eligible, offered themselves for re-election.

Directors are subject to retirement by rotation and re-election by shareholders at an annual general meeting at least once every three years.

Directors retiring at the annual general meeting in accordance with the Memorandum of Incorporation are: Mr T P Leeuw, Mr M Z Mkhize, and Mr M E Mkwanazi.

The Remuneration and Nomination Committee, at its meeting on 10 November 2016, also recommended that they be re-elected and, all being eligible, offered themselves for re-election.

HULAMIN

DIRECTORS' AND PRESCRIBED OFFICER'S SHAREHOLDINGS

At 31 December 2016, the present directors and prescribed officer of the company beneficially held a total of 835 861 ordinary no par value shares, equivalent to 0,26 percent in the company (2015: 639 438 ordinary par value shares, equivalent to 0,20 percent, were held by directors). Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in note 31 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 31 December 2016 and 23 February 2017.

HOLDING COMPANY

Hulamin Limited has no holding company at 31 December 2016.

AUDITORS

PricewaterhouseCoopers continued as auditors of Hulamin Limited and its subsidiaries. At the annual general meeting of 26 April 2017, shareholders will be requested to appoint PricewaterhouseCoopers as auditors of Hulamin Limited for the 2017 financial year and it will be noted that Mr H N Govind 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 98 to 159 have been approved by the board. Signed on behalf of the board of directors by:

Mafika Mkwanazi
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
23 February 2017

Independent auditor's report

TO THE SHAREHOLDERS OF HULAMIN LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulamin Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2016, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Hulamin Limited's Group and Company financial statements set out on pages 98 to 159 comprise:

- the Group and Company balance sheets as at 31 December 2016;
- the Group and Company income statements for the year then ended;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company cash flow statements for the year then ended; and
- the notes to the Group and Company financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the *Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code)* and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants *Code of Ethics for Professional Accountants* (Parts A and B).

Our audit approach

Overview

Overall group materiality

- Overall group materiality: R50,4 million, which represents 0.5% of the Group's revenue.

Group audit scope

- Full scope audits conducted over all operating subsidiaries in the group.

Key Audit Matters

The key audit matter identified, which relates to the consolidated financial statements:

- Impairment assessment of the Rolled Products cash generating unit ("CGU").

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R50,4 million
How we determined it	0.5% of the Group's revenue
Rationale for the materiality benchmark applied	We have selected revenue as our materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a stable and key driver of the Group's business. We chose 0.5% based on our professional judgement and after consideration of the range of quantitative materiality thresholds that we would typically apply when using revenue to compute materiality.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The Group has three operating subsidiaries based and managed in South Africa. Full scope audits were carried out on all of these subsidiaries.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matter that relates to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company of the current period.

Independent auditor's report continued

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment of the Rolled Products cash generating unit ("CGU") *Refer to note 19 to the consolidated financial statements for the related disclosures.* The applicable accounting standards 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 (share price at 31 December 2016: R5.35) was below its net asset value (net asset value per share at 31 December 2016: R13.60) as at 31 December 2016. This position indicated that the carrying value of the Group's property, plant and equipment assets may be impaired. Management performed an impairment test at the Rolled Products CGU and at Extrusions CGU levels. The Extrusions CGU is a minor segment in the business and was not determined to be a matter of most significance in our audit of the consolidated financial statements. In respect of the Rolled Products CGU, which accounts for the major portion of the Group, management determined its recoverable amount to be its value in use. This value was determined using a discounted cash flow model. Management used the five year business plan approved by the board and the 2017 board approved budget in projecting future cash flows for the CGU. Included within the cash flow forecasts are the following key assumptions which required the exercise of significant management judgement: • Sales volumes – This excludes benefits of future capital expenditure and restructuring and is adjusted to take account of actual performance against previous forecasts. Annual future volume was capped at 225,000 tons. • Rolling margins – This takes into account current and anticipated changes in market conditions and product mix. • Currency exchange rates – This is based on the median of forecasts by major financial and other institutions to 2018 and on inflation differentials thereafter, with the ZAR/USD rate rising from an average of R13.98 in 2017 to R14.87 in 2021. The discount rate applied by management was based on the capital asset pricing model which includes inputs that are subjective and require the exercise of management judgement. Management's impairment test indicated the recoverable amount to be greater than the carrying amount of the assets within the Rolled Products CGU and management therefore did not recognise an impairment charge in the current year We considered the impairment assessment of the Rolled Products CGU 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 property, plant and equipment balances of R3.06 billion at 31 December 2016, 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.	We agreed with the existence of the impairment indicator identified by management and found it to be in line with the provisions of IAS 36 *Impairment of assets*. Our assessment of the CGU's discounted cash flow model included the following: We obtained the discounted cash flow calculations prepared by management. We assessed the various inputs in the calculations which included the following key items: volume forecasts, currency rates, rolling margins and discount rate, by reference to the board approved business plan, market data and past performance of the Rolled Products CGU. Market data that was considered included forecast exchange rates, aluminium prices, geographic premiums and inflation rates. We found the key inputs to be consistent with the board approved business plan and market data and we established that past performance had been appropriately considered in forecasting these inputs. 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 consideration given to factors beyond management's control. Our procedures performed indicated that management's previous forecasts were within a reasonable range of the actual performance. With the assistance 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 found the discount rate applied by management to be within an acceptable range. The use of inflation differentials by management in forecasting long term exchange rates is an approach commonly used by valuation practitioners in South Africa and was considered appropriate. The sensitivity analysis described in note 19 to the financial statements discloses the assumptions to which the value in use is particularly sensitive. We found the parameters applied to these assumptions to be reasonable when compared to historical changes in these assumptions. Using the assumptions disclosed in note 19 to the financial statements, we reperformed the sensitivity analysis, using management's model. Our results were consistent with that of management.

Other information

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

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we 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 consolidated and separate financial statements

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

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

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

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

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 consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the 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 consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 PricewaterhouseCoopers Inc. has been the auditor of Hulamin Limited for 67 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: HN Govind
Registered Auditor

Durban
23 February 2017

Group balance sheet

AS AT 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**3 263 500**	3 166 800
Intangible assets	4	**69 086**	66 917
Retirement benefit asset	26	**117 397**	142 292
Deferred tax asset	6	**25 463**	20 260
		3 475 446	3 396 269
Current assets			
Inventories	7	**1 825 221**	1 784 805
Trade and other receivables	8	**1 513 096**	1 384 390
Derivative financial assets	9	**64 445**	8 457
Cash and cash equivalents	10	**75 627**	70 158
Income tax asset		**2 603**	12 461
		3 480 992	3 260 271
Total assets		**6 956 438**	6 656 540
EQUITY			
Share capital and share premium	11	**1 817 580**	1 817 580
BEE reserve	32.5	**51 776**	51 224
Employee share-based payment reserve		**55 852**	45 707
Hedging reserve		**15 506**	(92 122)
Retained earnings		**2 405 974**	2 032 128
Total equity		**4 346 688**	3 854 517
LIABILITIES			
Non-current liabilities			
Non-current borrowings	12	**162 000**	216 000
Deferred tax liability	13	**516 533**	486 765
Retirement benefit obligations	14, 26	**258 879**	227 997
		937 412	930 762
Current liabilities			
Trade and other payables	15	**1 141 011**	806 210
Current borrowings	16	**490 444**	829 401
Derivative financial liabilities	9	**15 168**	235 650
Income tax liability		**25 715**	–
		1 672 338	1 871 261
Total liabilities		**2 609 750**	2 802 023
Total equity and liabilities		**6 956 438**	6 656 540

HULAMIN

FINANCIAL STATEMENTS

Group income statement

FOR THE YEAR ENDED 31 DECEMBER 2016

		Notes	2016 R'000	2015 R'000
Revenue			**10 099 349**	8 394 986
Cost of sales		18	**(8 957 621)**	(7 855 025)
Gross profit			**1 141 728**	539 961
Selling, marketing and distribution expenses		18	**(443 881)**	(382 204)
Administrative and other expenses		18	**(144 892)**	(111 050)
Other gains and losses		17	**68 559**	248 773
Operating profit			**621 514**	295 480
Interest income		20	**1 309**	2 085
Interest expense		20	**(88 005)**	(68 577)
Profit before tax			**534 818**	228 988
Taxation		21	**(149 885)**	(65 274)
Net profit for the year attributable to equity holders of the company			**384 933**	163 714
Earnings per share		22		
Basic	(cents)		**120**	51
Diluted	(cents)		**117**	50

Group statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
Net profit for the year attributable to equity holders of the company	**384 933**	163 714
Other comprehensive income/(loss) for the year	**93 851**	(78 063)
Items that may be reclassified subsequently to profit or loss	**107 628**	(98 736)
Cash flow hedges transferred to income statement	**127 947**	(9 186)
Cash flow hedges created	**21 536**	(127 947)
Income tax effect	**(41 855)**	38 397
Items that will not be reclassified to profit or loss	**(13 777)**	20 673
Remeasurement of retirement benefit obligation	**(14 032)**	25 134
Remeasurement of retirement benefit asset	**(5 103)**	3 578
Income tax effect	**5 358**	(8 039)
Total comprehensive income for the year attributable to equity holders of the company	**478 784**	85 651

Group statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital R'000	Share premium R'000	Consolidated shares R'000	Hedging reserve 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 2014	31 960	1 785 620	–	6 614	41 411	–	1 968 212	3 833 817
Net profit for the year	–	–	–	–	–	–	163 714	163 714
Other comprehensive income net of tax								
– cash flow hedges	–	–	–	(98 736)	–	–	–	(98 736)
– retirement benefit assets and obligations	–	–	–	–	–	–	20 673	20 673
Value of employee services (note 18.1)	–	–	–	–	16 777	–	–	16 777
Settlement of employee share incentives	–	–	–	–	(12 481)	–	(11 916)	(24 397)
Tax on employee share incentives	–	–	–	–	–	–	(3 096)	(3 096)
Ordinary A and B shares issued	60 017	–	–	–	–	–	–	60 017
Consolidated A and B ordinary shares	–	–	(60 017)	–	–	–	–	(60 017)
Equity-settled share-based payment: Isizinda (note 32.5)	–	–	–	–	–	31 224	–	31 224
Share-based payment costs on 2015 BEE transaction (note 32.5)	–	–	–	–	–	20 000	–	20 000
Dividends paid	–	–	–	–	–	–	(105 459)	(105 459)
Transfer of share premium to share capital	1 785 620	(1 785 620)	–	–	–	–	–	–
Balance at 31 December 2015	**1 877 597**	**–**	**(60 017)**	**(92 122)**	**45 707**	**51 224**	**2 032 128**	**3 854 517**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**384 933**	**384 933**
Other comprehensive income net of tax								
– cash flow hedges	**–**	**–**	**–**	**107 628**	**–**	**–**	**–**	**107 628**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**–**	**(13 777)**	**(13 777)**
Value of employee services (note 18.1)	**–**	**–**	**–**	**–**	**26 998**	**–**	**–**	**26 998**
Settlement of employee share incentives	**–**	**–**	**–**	**–**	**(16 853)**	**–**	**4 417**	**(12 436)**
Tax on employee share incentives	**–**	**–**	**–**	**–**	**–**	**–**	**(1 727)**	**(1 727)**
Equity-settled share-based payment: Isizinda (note 32.5)	**–**	**–**	**–**	**–**	**–**	**552**	**–**	**552**
Balance at 31 December 2016	**1 877 597**	**–**	**(60 017)**	**15 506**	**55 852**	**51 776**	**2 405 974**	**4 346 688**

HULAMIN

Group cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated before working capital changes	24	**743 113**	540 224
Changes in working capital	25	**165 679**	(279 771)
Cash generated from operations		**908 792**	260 453
Interest paid		**(103 101)**	(89 028)
Interest received		**1 309**	2 085
Income tax payment		**(127 972)**	(49 735)
Net cash inflow from operating activities		**679 028**	123 775
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	3	**(314 856)**	(472 358)
Government grant received	3.5	**57 047**	–
Acquisition of business		**–**	(100 170)
Additions to intangible assets	4	**(13 551)**	(15 480)
Proceeds on disposal of property, plant and equipment		**7 681**	44 679
Net cash outflow from investing activities		**(263 679)**	(543 329)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from non-current borrowings	12	**(54 000)**	270 000
(Repayment of)/proceeds from current borrowings		**(338 957)**	89 257
Settlement of employee share incentives		**(12 436)**	(24 397)
Proceeds to settle equity option		**–**	4 000
Dividends paid		**–**	(105 459)
Net cash (outflow)/inflow from financing activities		**(405 393)**	233 401
Net increase/(decrease) in cash and cash equivalents		**9 956**	(186 153)
Cash and cash equivalents at beginning of year		**70 158**	249 106
Effects of exchange rate changes on cash and cash equivalents		**(4 487)**	7 205
Cash and cash equivalents at end of year	10	**75 627**	70 158

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Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

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 group financial statements are prepared using the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss, and are prepared on the going concern basis.

The financial statements are prepared using accrual accounting whereby the effects of transactions and other events are recognised when they occur rather than when the cash is received.

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 current legally enforceable right to offset 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 income statement 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

Standards, amendments and interpretations in issue and effective which are applicable to the group

- Amendment to IAS 1 "Presentation of financial statements"
- Amendment to IAS 27 "Separate financial statements"

Standards, amendments and interpretations in issue not yet effective which are applicable to the group

The following new and revised accounting standards, amendments and interpretations that will impact on the financial statements of the group, or may affect the accounting for future transactions or arrangements, have not yet become effective and have not been adopted prior to their commencement:

- IAS 7 "Cash flow statements" (effective 1 January 2017)
- IAS 12 "Income taxes" (effective 1 January 2017)
- IFRS 2 "Share-based payments" (effective from 1 January 2018)
- IFRS 9 "Financial Instruments" (effective from 1 January 2018)
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)
- IFRS 16 "Leases" (effective 1 January 2019)
- IFRIC 22 "Foreign currency transactions and advance consideration" (effective 1 January 2018)

The group intends to comply with these standards from the effective dates. Adoption of these standards by the group in future reporting periods is not expected to have a significant impact on the financial statements of the group or company, apart from the application of IFRS 9 and IFRS 16, the impact of which will be assessed.

1.3 Judgements made by management

There were no material judgements made by management, in the application of accounting policies, that could have had a significant effect on the amounts recognised in the financial statements other than those dealt with in note 1.32.

1.4 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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

1.5 Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive the cash flows have expired or been transferred and substantially all the risks and rewards of ownership or control have passed.

All other assets are derecognised on disposal or when the substantial risks and rewards associated with ownership have passed to another party, or when no future economic benefits are expected from their use.

Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.6 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 rates ruling on the dates of the transactions, i.e. dates on which the transactions first qualify for recognition. 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 income statement in the period in which they arise, except when deferred in equity as qualifying cash flow hedges. The company and group's functional and presentation currency respectively is the South African Rand.

Gains and losses arising from changes in the fair value of foreign exchange contracts (except cash flow hedges when deferred in equity) as well as gains and losses arising on translation are recognised in the income statement in the period in which they arise.

1.7 Hedge accounting

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, which is detailed in note 34. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness.

A fair value hedge is a hedge of the exposure to changes in the fair value of a recognised asset, liability or firm commitment. The gain or loss on the hedged item attributable to the hedged risk in a fair value hedge is included in the carrying amount of the hedged item and recognised in the income statement. The gain or loss on the hedged instrument is also recognised in the income statement.

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. The portion of the gain or loss on the hedging instrument in a cash flow hedge that is determined to be effective is recognised directly in other comprehensive income, whilst the ineffective portion is recognised in the income statement.

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 previously recognised in other comprehensive income and accumulated in equity are recognised in the income statement in the same period in which the asset or liability affects the income statement.

If a hedge results in the recognition of a non-financial asset or non-financial liability, any associated gains or losses previously recognised in other comprehensive income and accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset.

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, exercised or when the forecast transaction, in respect of cash flow hedges, is no longer expected to occur or when the hedge designation is revoked.

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 (refer to note 17 of the group financial statements).

1.8 Segment reporting

The group determines and reports operating segments based on internal information that is provided to the Hulamin Executive Committee, which is the group's most senior operating decision-making body. It is responsible for allocating resources and assessing performance of the operating segments.

1.9 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 income statement from the date the group exercises 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 interests as transactions with equity holders of the group. Gains or losses arising from these transactions are recorded in equity.

1.10 Associates

Associates are all entities over which the group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are accounted for using the equity method, where the investment is carried at cost plus post-acquisition changes in the group's share of net assets of the associate, less any provision for impairment, from the date on which they become an associate. The use of the equity method is discontinued from the date that the group ceases to have significant influence over an associate.

The carrying amount of the investment in associates is tested for impairment by comparing the recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

ASSETS

1.11 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Depreciation is charged from the dates the assets are available for use.

Where the useful lives of significant parts of an item are different from the item itself, these parts are depreciated over their useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

1.12 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all the attached conditions. Government grants relating to assets are deducted against the carrying amount of the assets.

1.13 Intangible assets

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 to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes 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.

Computer software costs recognised as assets are amortised over their estimated useful lives of three to 15 years.
Research costs are expensed when incurred.

1.14 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to the higher of its recoverable amount and zero. Impairment losses are recognised in the income statement. 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 income statement.

1.15 Leasing

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred. An operating lease is a lease other than a finance lease.

Leases are classified as finance leases or operating leases at the inception of the lease.

Rentals payable under operating leases are recognised in the income statement 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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

1.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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 specific identification basis is used to arrive at the cost of items that are not interchangeable. The weighted average method, in the case of consumables, and the first-in-first-out method, in the case of all other inventories, is used to arrive at the cost of items that are interchangeable.

1.17 Financial assets

Financial assets are initially measured at fair value plus transaction costs. However, transaction costs in respect of financial assets classified as fair value through profit or loss are expensed.

Financial assets classified as fair value through profit or loss are measured at fair value with gains or losses being recognised in profit or loss. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted.

Loans and receivables, which include trade receivables, are 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 changes in 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 group 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.

The fair value of derivative assets is calculated as the difference between the contracted value and the value to maturity at the balance sheet 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. The value to maturity of interest rate swaps is determined by reference to quoted swap rates at the balance sheet date.

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).

1.18 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at face value. Cash and cash equivalents includes cash on hand and deposits held with banks with original maturities of three months or less. In the balance sheet and cash flow statement bank overdrafts are included in borrowings. Cash flows on short-term borrowings, where applicable, are presented on a net basis within financing activities in the cash flow statement.

EQUITY AND LIABILITIES

1.19 Equity

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.

1.20 Consolidated shares

Consolidated shares represent the A and B class ordinary shares issued to the BEE investor company and the ESOP Trust. These structured entities are consolidated in terms of IFRS, these issued shares of the company are treated as treasury shares. 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.

1.21 Deferred tax

Deferred tax is provided in full using the liability method, 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.

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A deferred tax asset is only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised, unless specifically exempt.

Deferred tax liabilities arising on investments in subsidiaries and associates are recognised except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

1.22 Financial liabilities

Financial liabilities are initially measured at fair value net of transaction costs. However, transaction costs in respect of financial liabilities classified as at fair value through profit or loss are expensed.

Gains and losses arising from changes in the fair value of financial liabilities at fair value through profit or loss are presented in the income statement within other gains and losses.

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. These consist of trade and other payables and interest-bearing borrowings.

The fair value of derivative liabilities is calculated as the difference between the contracted value and the value to maturity at the balance sheet 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.

1.23 Employment benefit obligations

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 group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet 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. Past service cost is recognised in profit or loss in the period of 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 follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements)
- Net interest expense or income
- Remeasurement

The group presents the first two components of defined benefit costs in profit or loss. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the group balance sheet 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.

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, being present value of future liability, for services rendered to date. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

1.23 Employment benefit obligations continued

EMPLOYEE BENEFIT COSTS

The cost of short-term employee benefits, including the expected cost of short-term accumulating compensated absences, is recognised in the income statement 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.

1.24 Shareholders for equity dividends

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.

1.25 Provisions

Provisions are recognised when the group has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate can be made for the amount of the obligation.

Provisions are measured as the expenditure required to settle the present obligation. Where the effect of discounting is material, provisions are measured at their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks for which future cash flow estimates have not been adjusted.

INCOME STATEMENT

1.26 Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the group or company, and when the amount of the revenue and the related costs can be reliably measured.

Revenue of the group comprises revenue from the sale of fabricated and semi-fabricated aluminium products, which comprise a metal component and a conversion margin.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This occurs when the group entity has delivered products to the customer and the customer has accepted the products. 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 these are applicable. Revenue is recognised at the fair value of the consideration receivable net of returns, rebates and discounts, and after eliminating sales within the group.

1.27 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 (usually more than six months) 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.

1.28 Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively. The charge for current tax is computed on the results for the year, as adjusted for income that is exempt and expenses that are not deductible, using tax rates and tax laws that are enacted or substantively enacted at the reporting date.

1.29 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 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

NORMALISED EARNINGS PER SHARE

Normalised earnings per share is one of the measuring bases which the chief operating decision maker uses in assessing performance and in deciding how to allocate resources. The calculation of normalised earnings per share is based on headline earnings generated from the primary business operations of the group excluding abnormal or non-recurring gains and losses, divided by the weighted average number of ordinary shares in issue during the year. 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.

1.30 Share-based payments

The group's employee share incentive schemes are accounted for as equity-settled share-based payments. The fair value of the incentives at the grant date is expensed on a straight-line basis over the period during which the incentive vests.

Fair value is determined based on an estimate of the incentives that will vest and any non-market conditions, using the Monte Carlo Simulation, Black-Scholes and binomial tree valuation models, and these estimates are reviewed annually.

For those schemes where the group purchases shares in order to settle the benefit granted, any cost in excess of the fair value of the benefit granted is recognised in equity.

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.

1.31 Interest income

Interest income is accrued on a time basis using the effective interest rate method.

1.32 Judgements, estimates and assumptions

The key judgements, assumptions and sources of estimation uncertainty at the balance sheet 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:

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.

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, healthcare costs, inflation rates and salary increments.

SHARE-BASED PAYMENT TRANSACTIONS

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 32 of the group financial statements.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 3 to 5 of the group financial statements, and note 2 of the company 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 19 of the group financial statements.

INVESTMENT IN ISIZINDA ALUMINIUM (PTY) LTD (ISIZINDA)

The group holds a 38,7% (2015: 40%) 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.

Notes to the group financial statements

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2. OPERATING SEGMENT ANALYSIS

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions. The divisions, which offer different core products, are the basis on which the group reports its primary segment information. 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. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. Both reportable segments are based and managed in South Africa.

In 2015, the group acquired Isizinda Aluminium (Pty) Ltd. This business only supplies slab to Hulamin Rolled Products. The activities of Isizinda Aluminium are integrated into the Hulamin Rolled Products segment.

		2016			2015	
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group total R'000**	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group total R'000
Revenue						
Segment revenue	**9 237 127**	**862 222**	**10 099 349**	7 554 622	840 364	8 394 986
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Revenue from external customers	**9 237 127**	**862 222**	**10 099 349**	7 554 622	840 364	8 394 986
Earnings						
EBITDA*	**750 542**	**56 972**	**807 514**	414 084	30 057	444 141
Depreciation and amortisation	**(163 224)**	**(22 776)**	**(186 000)**	(131 176)	(17 485)	(148 661)
Operating profit	**587 318**	**34 196**	**621 514**	282 908	12 572	295 480
Interest received	**1 309**	**–**	**1 309**	2 085	–	2 085
Interest paid	**(88 005)**	**–**	**(88 005)**	(67 520)	(1 057)	(68 577)
Profit before tax	**500 622**	**34 196**	**534 818**	217 473	11 515	228 988
Taxation	**(139 662)**	**(10 223)**	**(149 885)**	(61 848)	(3 426)	(65 274)
Net profit for the year	**360 960**	**23 973**	**384 933**	155 625	8 089	163 714
Headline earnings						
Net profit for the year	**360 960**	**23 973**	**384 933**	155 625	8 089	163 714
Loss/(profit) on disposal of property, plant and equipment	**(6 093)**	**–**	**(6 093)**	10 538	–	10 538
Bargain purchase gain	**–**	**–**	**–**	(51 868)	–	(51 868)
Tax effect	**897**	**–**	**897**	(3 123)	–	(3 123)
	355 764	**23 973**	**379 737**	111 172	8 089	119 261
Normalised earnings						
Headline earnings	**355 764**	**23 973**	**379 737**	111 172	8 089	119 261
Adjusted for (net of tax):						
Share-based payment costs on 2015 BEE transaction	**–**	**–**	**–**	18 165	1 835	20 000
Transaction costs	**–**	**–**	**–**	5 455	–	5 455
Post-retirement medical aid past service costs adjustments	**–**	**–**	**–**	4 857	–	4 857
Equity-settled share-based payment: Isizinda	**552**	**–**	**552**	27 224	–	27 224
	356 316	**23 973**	**380 289**	166 873	9 924	176 797
Headline earnings per share:						
– Basic (cents)			**119**			37
– Diluted (cents)			**116**			36
Normalised earnings per share:						
– Basic (cents)			**119**			55
– Diluted (cents)			**116**			54
Total assets	**6 663 575**	**292 863**	**6 956 438**	6 335 986	320 554	6 656 540
Total liabilities	**2 568 152**	**41 598**	**2 609 750**	2 754 987	47 036	2 802 023
Other disclosures						
Additions to property, plant and equipment and intangible assets	**299 239**	**29 168**	**328 407**	570 699	34 303	605 002

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

	2016 R'000	2015 R'000
2. OPERATING SEGMENT ANALYSIS CONTINUED		
Analysis of revenue by product market		
Automotive and transport	**1 375 543**	1 281 436
Building and construction	**189 803**	170 810
General engineering	**4 048 832**	3 410 226
Packaging	**4 485 171**	3 532 514
	10 099 349	8 394 986
Geographical analysis of revenue		
South Africa	**3 995 036**	3 781 298
North America	**2 423 884**	2 021 928
Europe	**2 221 782**	1 325 784
Asia	**323 885**	546 815
Middle East	**587 140**	198 208
Australasia	**286 268**	215 217
South America	**254 095**	297 205
Rest of Africa	**7 259**	8 531
	10 099 349	8 394 986

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

The Hulamin Rolled Products segment includes revenues of R1 455 million (2015: R1 239 million) which arose from sales to the group's largest customer.

	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
3. PROPERTY, PLANT AND EQUIPMENT					
2016					
At cost					
Balance at beginning of year	**7 460 903**	**1 041 343**	**5 936 296**	**189 096**	**294 168**
Additions	**314 856**	**6 439**	**57 346**	**2 381**	**248 690**
Borrowing costs capitalised	**13 162**	**2 448**	**5 714**	**25**	**4 975**
Capitalised from capital works under construction	**–**	**10 615**	**87 213**	**17 344**	**(115 172)**
Government grant (note 5)	**(57 047)**	**–**	**(57 047)**	**–**	**–**
Transfers	**–**	**(1 991)**	**232**	**1 759**	**–**
Disposals	**(63 657)**	**(1 588)**	**(2 775)**	**(59 294)**	**–**
Balance at end of year	**7 668 217**	**1 057 266**	**6 026 979**	**151 311**	**432 661**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**4 294 103**	**522 574**	**3 623 558**	**147 971**	**–**
Charge for the year (note 18)	**172 683**	**14 764**	**147 281**	**10 638**	**–**
Transfers	**–**	**(1 241)**	**232**	**1 009**	**–**
Disposals	**(62 069)**	**–**	**(2 775)**	**(59 294)**	**–**
Balance at end of year	**4 404 717**	**536 097**	**3 768 296**	**100 324**	**–**
Carrying value at 31 December 2016	**3 263 500**	**521 169**	**2 258 683**	**50 987**	**432 661**
2015					
At cost					
Balance at beginning of year	6 955 288	926 123	5 609 852	163 064	256 249
Additions	472 358	6 610	45 220	3 320	417 208
Assets acquired in business combination	117 164	68 364	48 800	–	–
Borrowing costs capitalised	20 451	2 102	9 847	–	8 502
Capitalised from capital works under construction	–	38 187	327 375	22 229	(387 791)
Transfers	–	(43)	(1 034)	1 077	–
Disposals	(104 358)	–	(103 764)	(594)	–
Balance at end of year	7 460 903	1 041 343	5 936 296	189 096	294 168
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 258 140	509 578	3 610 027	138 535	–
Charge for the year (note 18)	140 321	12 996	117 295	10 030	–
Disposals	(104 358)	–	(103 764)	(594)	–
Balance at end of year	4 294 103	522 574	3 623 558	147 971	–
Carrying value at 31 December 2015	3 166 800	518 769	2 312 738	41 125	294 168

The weighted average interest rate used for borrowing costs capitalised is 9,39% (2015: 8,23%).

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

The group has applied the following methods and rates as at the date of acquisition of each asset during the current and prior years. The useful lives, and accordingly the depreciation rates, are re-evaluated on an annual basis:

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

Moveable items with a carrying value of R41 700 000 (2015: R39 983 000) and land and buildings with a carrying value of R203 076 000 (2015: 208 024 000) are encumbered as security for borrowing facilities (notes 12 and 16).

Total depreciation is included in cost of sales on the Income Statement.

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4. INTANGIBLE ASSETS

	2016 R'000	2015 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**100 213**	92 128
Additions	**–**	8 085
Disposals	**(2 548)**	–
Reclassification	**(10 743)**	–
Balance at end of year	**86 922**	100 213
Accumulated amortisation		
Balance at beginning of year	**64 126**	58 784
Charge for the year (note 18)	**5 395**	5 342
Disposals	**(2 548)**	–
Reclassification	**(12 025)**	–
Balance at end of year	**54 948**	64 126
Carrying value at end of year	**31 974**	36 087
Software costs – other external		
Balance at beginning of year	**58 954**	51 559
Additions	**13 551**	7 395
Borrowing costs capitalised	**1 934**	–
Disposals	**(7 781)**	–
Reclassification	**10 743**	–
Balance at end of year	**77 401**	58 954
Accumulated amortisation		
Balance at beginning of year	**28 124**	25 126
Charge for the year (note 18)	**7 922**	2 998
Disposals	**(7 781)**	–
Reclassification	**12 024**	–
Balance at end of year	**40 289**	28 124
Carrying value at end of year	**37 112**	30 830
Total software costs		
Cost	**164 323**	159 167
Accumulated amortisation	**(95 237)**	(92 250)
Carrying value at end of year	**69 086**	66 917

Intangible assets are amortised over their useful lives on the straight line basis and the following rates were applied during the year:

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

The group does not undertake primary research activities and there was no development expenditure incurred in the current and prior years.

Total amortisation is included in cost of sales on the Income Statement.

Capital work in progress included within the total software cost above is R19 593 000 (2015: R 34 178 000).

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000

5. GOVERNMENT GRANTS

On 18 February 2016, Hulamin received a government grant in respect of the Manufacturing Competitiveness Enhancement Programme (MCEP) to the value of R57 047 000. The MCEP grant is in relation to Plant and Machinery built. The cost of the assets have been reduced by the value R57 047 000.

6. DEFERRED TAX ASSET

	2016 R'000	2015 R'000
At beginning of year	**20 260**	25 450
Tax charged directly to equity	**(707)**	(14)
Income statement		
Current year credit/(charge)	**3 613**	(4 089)
Prior year credit/(charge)	**728**	(313)
Deferred tax credit/(charge) in other comprehensive income	**1 569**	(774)
At end of year	**25 463**	20 260
Comprising:		
Fixed assets	**(7 182)**	(6 734)
Retirement benefit obligations and other provisions	**31 537**	25 747
Other	**1 108**	1 247
	25 463	20 260
Deferred tax asset to be recovered after more than 12 months	**17 963**	14 231
Deferred tax asset to be recovered within 12 months	**7 500**	6 029
	25 463	20 260

7. INVENTORIES

	2016 R'000	2015 R'000
Raw materials	**494 487**	379 550
Work-in-progress	**424 808**	409 019
Finished goods	**660 134**	774 345
Consumable stores	**245 792**	221 891
	1 825 221	1 784 805

Inventories with a carrying value of R1 162 million (2015: R1 635 million) are encumbered as security for borrowing facilities (note 16).

Certain items of inventory are written down (note 18) to net realisable value.

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8. TRADE AND OTHER RECEIVABLES

		2016 R'000	2015 R'000
Financial assets		**1 375 213**	1 245 500
Trade receivables		**1 333 692**	1 205 717
Less: Provision for impairment		**(1 900)**	(4 752)
		1 331 792	1 200 965
Sundry receivables		**43 421**	44 535
Non-financial assets		**137 883**	138 890
Prepayments		**29 963**	40 591
Value-added taxation receivable		**107 920**	98 299
		1 513 096	1 384 390
As at 31 December, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:			
Receivables that are neither overdue nor impaired		**1 318 471**	1 127 469
Receivables overdue but not impaired		**56 742**	118 031
Overdue by less than 60 days		**48 022**	106 526
Overdue by more than 60 days		**8 720**	11 505
Total financial assets, net of provision for impairment		**1 375 213**	1 245 500
One debtor comprises 17% (2015: 27%) of trade receivables. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December, 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:			
Local trade receivables		**308 417**	244 700
– Balance subject to credit insurance	(%)	**97**	95
Export trade receivables		**957 094**	826 005
– Balance subject to credit insurance	(%)	**100**	100
		1 265 511	1 070 705
Trade receivables covered by credit insurance are subject to a 10% excess.			
Trade and sundry receivables that are impaired are provided for in full. No collateral is held on these receivables. The movement in the provision for impairment is as follows:			
At 1 January		**4 752**	6 222
Receivables written off during the year as uncollectible		**(2 637)**	(1 892)
Net (reduction)/creation during the year		**(215)**	422
At 31 December		**1 900**	4 752

Trade and other receivables with a carrying value of R1 095 million (2015: R1 123 million) have been ceded as security for borrowing facilities (note 16).

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 Foreign amount '000	2016 Rand amount R'000	2015 Rand amount R'000
8. TRADE AND OTHER RECEIVABLES CONTINUED			
The group had the following uncovered export trade debtors at the period-end:			
Euro	**907**	**13 011**	5 634
US Dollar	**8 462**	**115 184**	9 256
		128 195	14 890

	2016 R'000	2015 R'000
9. DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign currency management – firm commitments and probable forecast sales (note 9.1)	**35 859**	(183 088)
Foreign currency management – trade debtors, creditors and import orders (note 9.2)	**22 229**	(44 233)
Commodity price management (note 9.3)	**(8 811)**	128
	49 277	(227 193)
Grouped as:		
Financial assets	**64 445**	8 457
Financial liabilities	**(15 168)**	(235 650)
	49 277	(227 193)

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 2016 is R63 263 000 (2015: R128 000).

The fair value of the financial instruments is determined by applying the methods disclosed in notes 1.17 and 1.22.

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 group's financial risk management strategy is discussed in note 34.

9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

9.1 Foreign currency management – firm commitments and probable forecast sales

The following forward foreign exchange contracts (FECs) on hand at period-end are hedges of firm commitments and probable forecast sales and were designated as hedging instruments in terms of hedge accounting.

	2016			2015		
	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 (note 9.1.1)	**3 698**	**52 329**	**(2 002)**	4 581	66 315	7 475
		52 329	**(2 002)**		66 315	7 475
Forward sales						
Euro (note 9.1.1)	**(714)**	**(10 701)**	**686**	(3 395)	(53 260)	(6 738)
Pound Sterling (note 9.1.1)	**–**	**–**	**–**	(18)	(392)	(35)
US Dollar (note 9.1.2)	**(76 959)**	**(1 097 652)**	**37 175**	(100 659)	(1 408 505)	(183 790)
		(1 108 353)	**37 861**		(1 462 157)	(190 563)
Net total		**(1 056 024)**	**35 859**		(1 395 842)	(183 088)
Maturing in:						
2016		**–**	**–**		(1 395 842)	(183 088)
2017		**(1 056 024)**	**35 859**		–	–
		(1 056 024)	**35 859**		(1 395 842)	(183 088)
Cash flow hedges (note 9.1.2)		**(1 097 652)**	**37 175**		(1 408 505)	(183 790)
Fair value hedges (note 9.1.1)		**41 628**	**(1 316)**		12 663	702
		(1 056 024)	**35 859**		(1 395 842)	(183 088)
Grouped as:						
Financial assets			**36 255**			–
Financial liabilities			**(396)**			(183 088)
			35 859			(183 088)

9.1.1 Fair value hedges

The group enters into FECs to hedge Euro, Pound Sterling and US Dollar denominated customer orders (firm commitments). These FECs are hedge accounted and are designated as fair value hedges, accounted for in accordance with accounting policy note 1.7.

9.1.2 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 accounting policy note 1.7. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the fair value of the total sales transaction to the fair value of the FECs plus the fair value of futures discussed in note 9.3.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

9.2 Foreign currency management - trade debtors, creditors and import orders

The following forward foreign exchange contracts have been entered into to 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:

	2016			2015		
	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	2 533	39 137	(2 159)	2 662	42 396	3 580
Pound Sterling	639	11 209	(455)	1 825	41 376	745
US Dollar	6 586	93 206	(2 193)	5 213	75 470	4 906
		143 552	(4 807)		159 242	9 231
Forward sales						
Euro	(13 702)	(205 246)	6 922	(10 146)	(159 164)	(11 941)
Pound Sterling	(1 118)	(19 741)	859	(502)	(10 889)	(686)
US Dollar	(56 537)	(795 286)	19 255	(35 940)	(523 752)	(40 837)
		(1 020 273)	27 036		(693 805)	(53 464)
Net total		(876 721)	22 229		(534 563)	(44 233)
Maturing in:						
2016		–	–		(534 563)	(44 233)
2017		(876 721)	22 229		–	–
		(876 721)	22 229		(534 563)	(44 233)
Grouped as:						
Financial assets			22 475			–
Financial liabilities			(246)			(44 233)
			22 229			(44 233)

9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

9.3 Commodity price management

The following futures contracts were designated as hedging instruments at the period-end:

	2016			2015		
	Tons	Contracted value R'000	Fair value asset/(liability) R'000	Tons	Contracted value R'000	Fair value asset/(liability) R'000
Net aluminium futures purchases/(sales) maturing in:						
2016	–	–	–	(17 350)	(406 463)	128
2017	(18 175)	(409 922)	(8 811)	–	–	–
	(18 175)	(409 922)	(8 811)	(17 350)	(406 463)	128
Grouped as:						
Financial assets			5 715			8 457
Financial liabilities			(14 526)			(8 329)
			(8 811)			128
Cash flow hedges (note 9.3.1)			(10 495)			3 693
Fair value hedges (note 9.3.2)			1 684			(3 565)
			(8 811)			128

9.3.1 Cash flow hedges

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on probable forecast sales. These LME futures are hedge accounted and are designated as cash flow hedges, accounted for in accordance with accounting policy note 1.7. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the fair value of the total sales transaction to the fair value of the LME futures plus the fair value of FECs discussed in note 9.1.

9.3.2 Fair value hedges

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers. These LME futures are hedge accounted and are designated as fair value hedges, accounted for in accordance with accounting policy note 1.7.

		2016 R'000	2015 R'000
10. CASH AND CASH EQUIVALENTS			
Bank balances		75 307	69 691
Cash on hand		320	467
		75 627	70 158
Effective interest rates	(%)	4,85	4,50
Included in bank balances are the following foreign currency denominated accounts:			
Euro		738	29
Pound Sterling		77	–
Swiss Franc		11	–
US Dollar		2 715	889

Bank balances with a carrying value of R69 404 000 (2015: R38 119 000) have been ceded as security for borrowing facilities (note 16).

	2016 R'000	2015 R'000
11. SHARE CAPITAL AND SHARE PREMIUM		
11.1 Authorised		
800 000 000 ordinary shares of no par value (2015: 800 000 000 ordinary shares)		
31 477 333 A ordinary shares of no par value (2015: 31 477 333 A ordinary shares)		
36 072 000 B ordinary shares of no par value (2015: 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.		
11.2 Issued		
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (2015: 319 268 492 shares of 10 cents each)	**1 817 580**	31 960
Issued during year: nil (2015: nil)	**–**	–
Transfer from share premium	**–**	1 785 620
Closing balance: 319 596 836 shares of no par value (2015: 319 596 836 shares of no par value)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares of no par value (2015: nil)	**59 656**	–
Issued during the year: nil (2015: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**–**	59 656
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares of no par value (2015: nil)	**361**	–
Issued during the year: nil (2015: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**–**	361
Total issued stated/share capital	**1 877 597**	1 877 597
Share premium		
Opening balance	**–**	1 785 620
Transfer to share capital	**–**	(1 785 620)
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital/share capital and share premium	**1 817 580**	1 817 580

11.3 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.

11.4 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 32.

Under the control of the directors

At 31 December 2016, 6 801 529 unissued ordinary shares (2015: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes.

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		2016 R'000	2015 R'000
12. NON-CURRENT BORROWINGS			
Nedbank		**216 000**	270 000
Less: Current portion included in current borrowings (note 16)		**(54 000)**	(54 000)
		162 000	216 000
Effective interest rate	(%)	**10,05**	9,53

The Nedbank long-term loan is secured against a mortgage bond of R405 000 000 (2015: R405 000 000) over land and buildings disclosed in note 3.

The fair values of the non-current borrowings approximate their carrying value.

The loan is repayable in quarterly instalments over five years commencing in March 2016.

As R54 000 000 (2015: R54 000 000) is due within 12 months from reporting date, it has been reclassified to current borrowings (note 16).

	2016 R'000	2015 R'000
13. DEFERRED TAX LIABILITY		
At beginning of year	**486 765**	477 702
Tax charged/(credited) directly to equity	**39 060**	(28 050)
Deferred tax on business combination	**–**	16 324
Income statement		
Current year (credit)/charge	**(8 858)**	21 574
Prior year credit	**(434)**	(785)
At end of year	**516 533**	486 765
Comprising:		
Accelerated tax depreciation	**579 973**	564 783
Provisions and leave pay accruals	**(102 338)**	(61 662)
Defined benefit fund	**34 491**	38 222
Share schemes	**(4 770)**	(11 154)
Hedging reserve	**6 030**	(35 825)
Trade receivable prepayments	**–**	(6 426)
Other	**3 689**	(288)
Assessed loss	**(542)**	(885)
	516 533	486 765
Deferred tax liability to be settled after more than 12 months	**529 337**	544 204
Deferred tax liability to be settled within 12 months	**(12 804)**	(57 439)
	516 533	486 765
14. RETIREMENT BENEFIT OBLIGATIONS		
Post-retirement medical aid provision	**221 019**	195 606
Retirement gratuity provision	**37 860**	32 391
	258 879	227 997

The movements in these provisions are detailed in note 26.

	2016 R'000	2015 R'000
15. TRADE AND OTHER PAYABLES		
Trade payables	**887 873**	564 097
Leave pay and bonus accruals	**133 399**	85 101
Sundry accruals and other payables	**119 739**	157 012
	1 141 011	806 210

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016 R'000	2015 R'000
16. CURRENT BORROWINGS			
Nedbank revolving facilities		**362 817**	703 382
Current portion of term loan (note 12)		**54 000**	54 000
Pension fund loan (notes 26 and 30)		**73 627**	72 019
		490 444	829 401
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**9,19**	8,32
Pension fund loan	(%)	**7,89**	7,89

The Nedbank revolving facilities comprise a gross borrowings of R666 406 000 (2015: R926 647 000) which has been offset by bank balances of R303 589 000 (2015: R223 265 000) in terms of the loan agreements with Nedbank.

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.

Refer to note 12 for details on the term loan.

The pension fund loan is unsecured and has no fixed terms of repayment.

The fair values of the current borrowings approximate their carrying value.

	2016 R'000	2015 R'000
17. OTHER GAINS AND LOSSES		
Profit/(loss) on disposal of property, plant and equipment	**6 093**	(10 538)
Valuation adjustments on non-derivative items (note 17.1)	**(154 256)**	203 072
Valuation adjustments on derivative items (note 17.2)	**216 722**	4 371
Bargain purchase gain	**–**	51 868
	68 559	248 773
17.1 Valuation adjustments on non-derivative items		
Foreign exchange gains on debtors and creditors balances	**(149 769)**	207 640
Foreign currency denominated cash balances	**(4 487)**	7 156
Valuation (losses)/gains on firm commitments	**–**	(11 724)
	(154 256)	203 072
17.2 Valuation adjustments on derivative items		
Foreign exchange contracts: debtors and creditors balances	**107 469**	(141 895)
Foreign exchange contracts: firm commitments	**(10 834)**	8 675
Commodity futures: fair value hedges	**43 078**	26 150
	139 713	(107 070)
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	**77 009**	111 441
	216 722	4 371
17.3 Ineffective portion of all hedges recognised in profit or loss		
Fair value hedges	**3 029**	3 436
Cash flow hedges	**(10 085)**	(858)
	(7 056)	2 578
17.4 The following amounts are included in revenue		
Cash flow hedge losses transferred from equity	**(4 932)**	(166 597)

	2016 R'000	2015 R'000
18. EXPENSES BY NATURE		
Aluminium and other material costs	**6 626 767**	5 667 073
Utilities and other direct manufacturing costs	**774 329**	657 418
Employment costs (note 18.1)	**1 048 174**	929 937
Depreciation (note 3)	**172 683**	140 321
Amortisation of intangible assets (note 4)	**13 317**	8 340
Repairs and maintenance	**257 720**	255 100
Freight and commissions	**365 765**	308 630
Other operating income and expenditure (note 18.2)	**287 639**	381 460
	9 546 394	8 348 279
Classified as:		
Cost of sales	**8 957 621**	7 855 025
Selling, marketing and distribution expenses	**443 881**	382 204
Administrative and other expenses	**144 892**	111 050
	9 546 394	8 348 279
18.1 Employment costs		
Salaries and wages	**950 403**	839 123
Retirement benefits costs:		
Defined contribution schemes (note 26)	**52 236**	50 306
Defined benefit scheme (note 26)	**(10 551)**	(8 227)
Post retirement medical aid costs (note 26)	**23 444**	27 209
Retirement gratuities (note 26)	**5 644**	4 749
Share incentive costs	**26 998**	16 777
	1 048 174	929 937
18.2 Other operating income and expenditure		
Other operating income and expenditure includes:		
Write-down of inventories	**(8 066)**	13 669
Operating leases	**19 303**	22 245
Decrease in provision for impairment of debtors	**(2 852)**	(1 470)
Auditors' remuneration (note 18.3)	**5 475**	4 633
Equity-settled share-based payment: Isizinda	**552**	27 224
Share-based payment costs on 2015 BEE transaction	**–**	20 000
18.3 Auditors' remuneration		
Audit fees	**4 840**	4 282
Fees for other services	**225**	155
Expenses	**410**	196
	5 475	4 633

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FOR THE YEAR ENDED 31 DECEMBER 2016

19. IMPAIRMENT OF NON-CURRENT ASSETS

The company'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.

19.1 Hulamin Rolled Products cash-generating unit

The recoverable amount of these assets at 31 December 2016 was above the carrying amount and no impairment charge is thus required.

The key 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. Key assumptions include:

- Sales volumes are forecast to grow to 225 000 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 2018 and with reference to inflation differentials thereafter, with the ZAR/USD rate rising from an average of R13,98 in 2017 to R14,87 in 2021.

A pre-tax discount rate of 15,0% (post-tax 12,2%) was used in the calculation and this rate is similar to the 14,9% (post-tax 11,6%) used in 2015. The increase in the rate was caused by both an increase in the cost of borrowings and the cost of equity. The discount rate includes a company-specific risk premium of 1% which in particular arises from the company's exposure to volatile exchange rates, and is unchanged from the prior year.

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 post-tax discount rate would result in an impairment charge, before tax, of R48 million.
- **Rolling margins.** A reduction in average rolling margins of 5,0% for each year in the forecast period would result in an impairment charge, before tax, of R1 103 million.
- **Rate of exchange.** A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period would result in an impairment charge, before tax, of R1 352 million.

19.2 Hulamin Extrusions cash-generating unit

It was determined, as at 31 December 2016, that no impairment of the carrying values of the assets of this cash-generating unit is required.

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FINANCIAL STATEMENTS

		2016 R'000	2015 R'000
20. NET FINANCE COSTS			
Interest expense		**88 005**	68 577
Non-current borrowings interest		**25 060**	9 626
Current borrowings interest		**78 041**	79 402
Interest capitalised		**(15 096)**	(20 451)
Interest income		**(1 309)**	(2 085)
Net finance costs		**86 696**	66 492
21. TAXATION			
South African normal taxation:			
Current			
Current year charge		**161 485**	38 104
Prior year under provision		**2 033**	1 978
Deferred			
Current year (credit)/charge		**(12 471)**	25 664
Prior year over provision		**(1 162)**	(472)
		149 885	65 274
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:			
Capital (gains)/losses on disposal of property, plant and equipment	(%)	**(0,2)**	0,5
Prior year adjustment	(%)	**0,2**	–
Share-based payment costs on 2015 BEE transaction	(%)	**–**	5,7
Bargain purchase gain	(%)	**–**	(6,3)
Prior year adjustment	(%)	**–**	0,6
Effective rate of taxation	(%)	**28,0**	28,5

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22. EARNINGS PER SHARE

22.1 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.

Reconciliation of denominators used for basic and diluted earnings per share, headline earnings per share and basic normalised earnings per share

	December 2016 Number of shares	December 2015 Number of shares
Basic EPS – weighted average number of shares	**319 596 836**	319 596 836
Share options	**9 064 508**	7 666 904
Diluted EPS – weighted average number of shares	**328 661 344**	327 263 740

		2016 R'000	2015 R'000
22.2 Earnings per share			
Basic	(cents)	**120**	51
Diluted	(cents)	**117**	50
22.3 Headline earnings per share			
Net profit for the year		**384 933**	163 714
Adjustments		**(5 196)**	(44 453)
– (Profit)/loss on disposal of property, plant and equipment		**(6 093)**	10 538
– Bargain purchase gain		**–**	(51 868)
– Tax effect		**897**	(3 123)
Headline earnings		**379 737**	119 261
Headline earnings per share			
Basic	(cents)	**119**	37
Diluted	(cents)	**116**	36
22.4 Normalised earnings per share			
Headline earnings		**379 737**	119 261
Adjusted for (net of tax):			
Share-based payment costs on 2015 BEE transaction		**–**	20 000
Transaction costs*		**–**	5 455
Post-retirement medical aid past service costs adjustments		**–**	4 857
Equity-settled share-based payment: Isizinda		**552**	27 224
Normalised earnings		**380 289**	176 797
Normalised earnings per share			
Basic	(cents)	**119**	55
Diluted	(cents)	**116**	54

* *This relates to the aggregate transaction costs incurred during the year in respect of various corporate acquisition, BEE ownership and investment activities.*

	2016 R'000	2015 R'000
23. DIVIDENDS PER SHARE		
Dividends per share declared		
Interim dividend: nil (2015: 8 cents on 319 596 836 ordinary shares)	**–**	25 568
Final dividend: 15 cents on 319 596 836 ordinary shares (2015: nil)	**47 940**	–
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2015: nil)	**708**	–
Total	**48 648**	25 568

The final dividend was declared subsequent to year-end and therefore has not been provided for in the group financial statements.

	2016 R'000	2015 R'000
24. CASH GENERATED BEFORE WORKING CAPITAL CHANGES		
Operating profit	**621 514**	295 480
Adjusted for:		
Depreciation	**172 683**	140 321
Amortisation of intangible assets	**13 317**	8 340
(Profit)/loss on disposal of property, plant and equipment	**(6 093)**	10 538
Net movement in retirement benefit asset and obligations	**36 642**	16 902
Value of employee services	**26 998**	16 777
Movements in derivatives	**(126 987)**	63 715
Foreign exchange losses/(gains) on cash and cash equivalents	**4 487**	(7 205)
Equity-settled share-based payment: Isizinda	**552**	27 224
Share-based payment costs on 2015 BEE transaction	**–**	20 000
Bargain purchase gain	**–**	(51 868)
	743 113	540 224
25. CHANGES IN WORKING CAPITAL		
(Increase)/decrease in inventories	**(40 416)**	215 327
Increase in trade and other receivables	**(128 706)**	(336 481)
Increase/(decrease) in trade and other payables	**334 801**	(158 617)
	165 679	(279 771)

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FOR THE YEAR ENDED 31 DECEMBER 2016

26. RETIREMENT BENEFITS

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.

a. Provident Fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R12 124 000 (2015: R12 944 000) and were expensed during the year.

b. 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 2016.

	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
RETIREMENT BENEFIT SCHEMES CONTINUED		
(b) Hulamin Pension Fund continued		
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**131 552**	152 524
Present value of funded obligations	**(14 155)**	(10 232)
Pension fund asset at end of year	**117 397**	142 292
Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**10 232**	8 327
Current service cost	**2 923**	3 331
Interest cost	**1 411**	1 011
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 275**	(1 980)
Actuarial gains arising from experience adjustments	**(1 391)**	(121)
Benefits paid	**(295)**	(336)
Defined benefit obligation at end of year	**14 155**	10 232
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	**152 524**	147 181
Actual return on plan assets	**9 666**	14 046
Interest income	**14 885**	12 569
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	**(5 219)**	1 477
Benefits paid	**(295)**	(336)
Contribution funded from employer reserves	**(30 343)**	(8 367)
Fair value of plan assets at end of year	**131 552**	152 524
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**55 404**	55 867
Conservative portfolio	**135**	53
Money market and cash	**2 386**	24 585
Other assets:		
Loan to employer company (notes 16 and 30)	**73 627**	72 019
	131 552	152 524
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**55 539**	55 921

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FOR THE YEAR ENDED 31 DECEMBER 2016

		2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED			
RETIREMENT BENEFIT SCHEMES CONTINUED			
(b) Hulamin Pension Fund continued			
The amounts recognised in the income statement are as follows:			
Defined benefit plan (retirement benefit equalisation value)		**(10 551)**	(8 227)
Current service cost		**2 923**	3 331
Net interest income		**(13 474)**	(11 558)
Defined contribution plan		**40 112**	37 362
Employer contribution from reserves (utilisation of employer surplus account)		**30 343**	8 367
Employer cash contribution		**9 769**	28 995
		29 561	29 135
Amounts recognised in other comprehensive income are as follows:			
Actuarial (gains)/losses arising from changes in financial assumptions		**1 275**	(1 980)
Actuarial gains arising from experience adjustments		**(1 391)**	(121)
Return on plan assets, excluding amounts included in interest income		**5 219**	(1 477)
The average duration of the benefit obligation at 31 December 2016 is 22,7 years (2015: 23,5 years).			
Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**9,70**	10,85
Future inflation rate	(%)	**6,70**	7,40
Sensitivity of discount rate:			
1% increase in discount rate			
– effect on current service cost		**(580)**	(551)
1% increase in discount rate			
– effect on the obligation		**(2 611)**	(1 931)
1% decrease in discount rate			
– effect on current service cost		**733**	700
1% decrease in discount rate			
– effect on the obligation		**3 294**	2 449

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.

	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
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.		
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**221 019**	195 606
Liability in the balance sheet	**221 019**	195 606
The liability can be reconciled as follows:		
Balance at beginning of year	**195 606**	203 445
Total expense accrued	**23 444**	27 209
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**12 026**	(20 740)
Actuarial losses/(gains) arising from experience adjustments	**1 378**	(1 610)
Benefit payments	**(11 435)**	(12 698)
Balance at end of year	**221 019**	195 606
Amounts recognised in the income statement are as follows:		
Interest costs	**20 964**	17 741
Current service costs	**2 480**	2 722
Past service costs adjustments (note i)	**–**	7 039
Settlement gains (note ii)	**–**	(293)
	23 444	27 209
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**12 026**	(20 740)
Actuarial losses/(gains) arising from experience adjustments	**1 378**	(1 610)
	13 404	(22 350)

Note i *In 2014, the company changed its medical aid subsidy policy for in-service employees with effect from 1 January 2016, from which date any increases in medical aid subsidisation will be based on CPI plus 1%. In 2015, this policy was revised to allow increases in medical aid subsidisation to be the higher of CPI plus 1% and the average salary increase approved by the board.*

Note ii *During 2014, the company made a voluntary offer to pensioners whereby,* inter alia, *pensioners could elect to accept a once-off lump sum* in lieu *of continuing to receive post-retirement medical aid subsidy payments. The settlement gain arose in 2015 from certain pensioners electing to receive a once-off lump sum in lieu of future post-retirement medical aid subsidy payments.*

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.

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	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
POST-RETIREMENT MEDICAL AID BENEFITS CONTINUED		
Changes in the principal financial assumptions are detailed below.		
Principal financial assumptions:		
Discount rate	**9,70**	10,85
Future company subsidy rate – in service	**8,15**	8,85
Future company medical subsidy increase – pensioners	**8,45**	9,15
Sensitivity of future company subsidy rate:		
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs	**3 591**	3 520
1% increase in future company subsidy rate – effect on the obligation	**30 583**	26 993
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	**(2 964)**	(2 904)
1% decrease in future company subsidy rate – effect on the obligation	**(25 411)**	(22 424)
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(969)**	(1 127)
1% increase in discount rate – effect on the obligation	**(24 907)**	(21 901)
1% decrease in discount rate – effect on current service cost	**1 074**	1 283
1% decrease in discount rate – effect on the obligation	**30 453**	26 758
The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity the same method has been applied as when calculating the liability recognised within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.		
The average duration of the benefit obligation at 31 December 2016 is 13,6 years (2015: 13,7 years). This number is analysed as follows:		
– active members 19,9 years (2015: 20,1 years)		
– retired members 9,9 years (2015: 9,8 years)		
Estimated benefits payable by the group in the next financial year	**11 182**	9 730

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	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
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.		
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**37 860**	32 391
Liability in the balance sheet	**37 860**	32 391
The liability can be reconciled as follows:		
Balance at beginning of year	**32 391**	32 924
Total expense accrued	**5 644**	4 749
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 690**	(2 893)
Actuarial (gains)/losses arising from experience adjustments	**(1 062)**	109
Gratuity payments	**(803)**	(2 498)
Balance at end of year	**37 860**	32 391
Amounts recognised in the income statement are as follows:		
Interest costs	**3 679**	2 833
Service costs	**1 965**	1 916
	5 644	4 749
Amounts recognised in other comprehensive income are as follows:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 690**	(2 893)
Actuarial (gains)/losses arising from experience adjustments	**(1 062)**	109
	628	(2 784)

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.

		2016	2015
Principal financial assumptions:			
Discount rate	(%)	**9,70**	10,85
Future salary inflation rate	(%)	**8,15**	7,75
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**799**	735
1% increase in future salary inflation rate – effect on the obligation		**4 357**	3 798
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(685)**	(631)
1% decrease in future salary inflation rate – effect on the obligation		**(3 791)**	(3 310)

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26. RETIREMENT BENEFITS CONTINUED

RETIREMENT GRATUITIES CONTINUED

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

The average duration of the benefit obligation at 31 December 2016 is 11,6 years (2015: 12,2 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R1 024 000 (2015: R890 000).

	2016 R'000	2015 R'000
27. LEASE COMMITMENTS		
Operating lease commitments, amounts due:		
Not later than one year	**13 538**	18 742
Later than one year and not later than five years	**17 244**	22 292
	30 782	41 034
In respect of:		
Property	**3 333**	4 921
Plant and machinery	**27 449**	36 113
	30 782	41 034

The group leases forklift trucks and offices under non-cancellable operating lease agreements.

The leases have varying terms, escalation clauses and renewal rights.

28. CAPITAL EXPENDITURE COMMITMENTS

	2016 R'000	2015 R'000
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Property, plant and equipment	**109 734**	202 632

Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.

29. CONTINGENT LIABILITIES

The group has no contingent liabilities as at 31 December 2016 (2015: nil).

30. 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. Details of transactions between the group and the pension fund are disclosed below:

	2016 R'000	2015 R'000
Loan from pension fund (refer to notes 16 and 26)	**73 627**	72 019

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 31.

31. DIRECTORS' REMUNERATION AND INTEREST

Directors' and prescribed officer's remuneration during the 2016 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments^ Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted# Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
M E Mkwanazi	493 694	252 043	–	–	–	–	745 737	–	745 737	–
L C Cele	287 214	116 095	–	–	–	–	403 309	–	403 309	–
V N Khumalo*	181 912	97 865	–	–	–	–	279 777	–	279 777	–
T P Leeuw	298 259	149 831	–	–	–	–	448 090	–	448 090	–
J B Magwaza	71 660	34 686	–	–	–	–	106 346	–	106 346	–
N N A Matyumza	287 214	131 391	–	–	–	–	418 605	–	418 605	–
S P Ngwenya	181 912	72 387	–	–	–	–	254 299	–	254 299	–
P H Staude	227 443	91 102	–	–	–	–	318 545	–	318 545	–
G H M Watson	544 166	251 028	–	–	–	–	795 194	–	795 194	–
N Maharaj[1]	49 429	25 420	–	–	–	–	74 849	–	74 849	–
C A Boles[2]	37 071	25 420	–	–	–	–	62 491	–	62 491	–
B Mehlomakulu[3]	24 714	12 710	–	–	–	–	37 424	–	37 424	–
	2 684 688	1 259 978	–	–	–	–	3 944 666	–	3 944 666	–
Executive										
R G Jacob	–	–	4 243 848	3 281 810	111 014	529 656	8 166 328	1 875 989	10 042 317	1 028 152
D A Austin[4]	–	–	1 041 420	–	46 982	129 903	1 218 305	–	1 218 305	784 733
A P Krull[5]	–	–	2 082 840	1 366 237	80 298	259 805	3 789 180	824 248	4 613 428	–
M Z Mkhize	–	–	2 905 128	1 659 464	200 611	362 316	5 127 519	790 204	5 917 723	446 062
	–	–	10 273 236	6 307 511	438 905	1 281 680	18 301 332	3 490 441	21 791 773	2 258 947
Prescribed officer										
HT Molale	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	2 684 688	1 259 978	12 738 192	7 143 522	563 085	1 588 975	25 978 440	4 160 645	30 139 085	2 577 123

^ *The bonus payments reflected above are in relation to the 2016 year, paid in 2017.*

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payments.

1 *Mr N Maharaj was appointed to the board with effect from 1 September 2016.*

2 *Mr C A Boles was appointed to the board with effect from 1 October 2016.*

3 *Dr B Mehlomakulu was appointed to the board with effect from 1 November 2016.*

4 *Mr D A Austin resigned from the company with effect from 30 April 2016.*

5 *Mr A P Krull was appointed to the position of CFO to replace Mr Austin with effect from 1 May 2016.*

Executive Committee members' remuneration during the 2016 financial year*

	Cash package Rand	Bonus and performance related payments^ Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	8 520 533	4 636 787	416 353	1 062 112	14 635 785	2 537 812	17 173 597	1 217 742

* *Excluding executive directors and prescribed officer.*

^ *The bonus payments reflected above are in relation to the 2016 year, paid in 2017.*

31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

Directors' and prescribed officer's remuneration during the 2015 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments^ Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted# Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
M E Mkwanazi	437 998	187 334	–	–	–	–	625 332	–	625 332	–
L C Cele	255 565	99 952	–	–	–	–	355 517	–	355 517	–
V N Khumalo*	169 838	83 041	–	–	–	–	252 879	–	252 879	–
T P Leeuw	265 877	113 533	–	–	–	–	379 410	–	379 410	–
J B Magwaza	206 232	61 910	–	–	–	–	268 142	–	268 142	–
N N A Matyumza	255 565	109 139	–	–	–	–	364 704	–	364 704	–
S P Ngwenya	169 837	55 658	–	–	–	–	225 495	–	225 495	–
P H Staude	199 761	85 369	–	–	–	–	285 130	–	285 130	–
S M G Jennings@	332 907	114 733	–	–	–	–	447 640	–	447 640	–
G H M Watson	460 143	201 690	–	–	–	–	661 833	–	661 833	–
	2 753 723	1 112 359	–	–	–	–	3 866 082	–	3 866 082	–
Executive										
R G Jacob	–	–	4 004 004	669 677	103 992	499 676	5 277 349	2 920 235	8 197 584	3 723 765
D A Austin	–	–	2 928 557	394 663	170 208	354 145	3 847 573	1 044 499	4 892 072	–
M Z Mkhize	–	–	2 729 496	365 599	187 896	340 362	3 623 353	1 067 622	4 690 975	721 210
	–	–	9 662 057	1 429 939	462 096	1 194 183	12 748 275	5 032 356	17 780 631	4 444 975
Prescribed officer										
HT Molale	–	–	2 318 172	231 734	112 836	288 947	2 719 955	906 349	3 626 304	1 124 888
	–	–	2 318 172	231 734	112 836	288 947	2 719 955	906 349	3 626 304	1 124 888
	2 753 723	1 112 359	11 980 229	1 661 673	574 932	1 483 130	19 334 312	5 938 705	25 273 017	5 569 863

^ *The bonus payments reflected above are in relation to the 2015 year, paid in 2016.*

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payments.

@ *S M G Jennings resigned from the Hulamin board of directors on 30 September 2015.*

Executive Committee members' remuneration during the 2015 financial year*

	Cash package Rand	Bonus and performance related payments^ 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	6 994 896	927 447	342 660	871 887	9 136 890	2 734 888	11 871 778	2 358 142

* *Excluding executive directors and prescribed officer.*

^ *The bonus payments reflected above are in relation to the 2015 year, paid in 2016.*

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31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

INTEREST OF DIRECTORS AND PRESCRIBED OFFICER OF THE COMPANY IN SHARE-BASED INSTRUMENTS

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 at December 2015	**Number of rights granted in 2016**	**Number of rights exercised in 2016**	**Number of rights lapsed in 2016**	**Number of rights at December 2016**	Rights time constrained
Executive director										
D A Austin	–	234 243	196 546	135 553	566 342	**–**	**–**	**566 342**	**–**	–
R G Jacob	–	487 429	633 100	396 925	1 517 454	**744 440**	**–**	**487 429**	**1 774 465**	1 774 465
M Z Mkhize	261 503	470 418	201 780	138 555	1 072 256	**313 573**	**–**	**229 246**	**1 156 583**	653 908
	261 503	1 192 090	1 031 426	671 033	3 156 052	**1 058 013**	**–**	**1 283 017**	**2 931 048**	2 428 373
Prescribed officer										
HT Molale	–	147 033	150 157	117 625	414 815	**265 954**	**–**	**147 033**	**533 736**	533 736
	–	147 033	150 157	117 625	414 815	**265 954**	**–**	**147 033**	**533 736**	533 736
Grant price	R6,91	R4,01	R6,90	R8,20		R6,30				
Grant date	25 May 2011	27 May 2013	24 Apr 2014	23 Apr 2015		22 Apr 2016				

Hulamin Limited Long-Term Incentive Plan 2007 – With Performance Conditions

	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights at December 2015	**Number of rights granted in 2016**	**Number of rights exercised in 2016**	**Number of rights lapsed in 2016**	**Number of rights at December 2016**	Rights time constrained
Executive director									
D A Austin	102 232	85 780	59 708	247 720	**–**	**–**	**247 720**	**–**	–
R G Jacob	182 360	236 998	146 625	565 983	**–**	**182 360**	**–**	**383 623**	383 623
M Z Mkhize	100 051	88 064	61 030	249 145	**–**	**100 051**	**–**	**149 094**	149 094
	384 643	410 842	267 363	1 062 848	**–**	**282 411**	**247 720**	**532 717**	532 717
Prescribed officer									
HT Molale	64 170	65 534	51 811	181 515	**–**	**64 170**	**–**	**117 345**	117 345
	64 170	65 534	51 811	181 515	**–**	**64 170**	**–**	**117 345**	117 345
Grant price	R4,01	R6,90	R8,20						
Grant date	27 May 2013	24 Apr 2014	23 Apr 2015						

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31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

INTEREST OF DIRECTORS AND PRESCRIBED OFFICER OF THE COMPANY IN SHARE-BASED INSTRUMENTS CONTINUED

Hulamin Limited Long-Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2013	Number of conditional awards granted in 2014	Number of conditional awards granted in 2015	Number of conditional awards at December 2015	**Number of conditional awards granted in 2016**	**Number of conditional awards exercised in 2016**	**Number of conditional awards lapsed in 2016**	**Number of conditional awards at December 2016**	Conditional awards time constrained
Executive director									
D A Austin	179 073	28 583	19 903	227 559	**–**	**144 996**	**82 563**	**–**	–
R G Jacob	60 929	78 999	48 875	188 803	**–**	**60 929**	**–**	**127 874**	127 874
A P Krull	–	–	–	–	**145 370**	**–**	**–**	**145 370**	145 370
M Z Mkhize	33 350	29 355	20 343	83 048	**–**	**33 350**	**–**	**49 698**	49 698
	273 352	136 937	89 121	499 410	**145 370**	**239 275**	**82 563**	**322 942**	322 942
Prescribed officer									
HT Molale	21 390	21 845	17 270	60 505	**–**	**21 390**	**–**	**39 115**	39 115
	21 390	21 845	17 270	60 505	**–**	**21 390**	**–**	**39 115**	39 115
Grant price	R4,60	R6,90	R8,20		R5,75				
Grant date	1 Mar 2013	24 Apr 2014	23 Apr 2015		1 May 2016				
Grant price	R4,01								
Grant date	27 May 2013								

Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2013	Number of conditional awards granted in 2015	Number of conditional awards at December 2015	**Number of conditional awards granted in 2016**	**Number of conditional awards exercised in 2016**	**Number of conditional awards at December 2016**	Conditional awards time constrained
Executive director							
R G Jacob	32 534	17 319	49 853	**–**	**32 534**	**17 319**	17 319
	32 534	17 319	49 853	**–**	**32 534**	**17 319**	17 319
Grant price	R4,55	R6,84					
Grant date	4 Mar 2013	8 May 2015					

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31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

INTEREST OF DIRECTORS AND PRESCRIBED OFFICER OF THE COMPANY IN SHARE CAPITAL

The aggregate holdings as at 31 December 2016 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2016	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
R G Jacob	**521 934**	**–**	**–**	**521 934**
M Z Mkhize	**124 554**	**–**	**–**	**124 554**
	646 488	**–**	**–**	**646 488**
Non-executive				
C A Boles	**60 000**	**–**	**–**	**60 000**
L C Cele	**10 000**	**–**	**–**	**10 000**
P H Staude	**91 610**	**–**	**–**	**91 610**
G H M Watson	**27 763**			**27 763**
	189 373	**–**	**–**	**189 373**
Total	**835 861**	**–**	**–**	**835 861**

There have been no changes in the above interests between the year-end and 23 February 2017.

* *As at 31 December 2016, Mr D A Austin, who resigned on 30 April 2016, held 100 000 ordinary shares. Mr J B Magwaza, who resigned on 30 April 2016, held 5 760 ordinary shares.*

As at 31 December 2015	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
R G Jacob	456 400	–	–	456 400
M Z Mkhize	75 668	–	–	75 668
	532 068	–	–	532 068
Non-executive				
L C Cele	10 000	–	–	10 000
J B Magwaza	5 760	–	–	5 760
P H Staude	91 610	–	–	91 610
	107 370	–	–	107 370
Total	639 438	–	–	639 438

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FOR THE YEAR ENDED 31 DECEMBER 2016

32. SHARE-BASED PAYMENTS

EMPLOYEE SHARE INCENTIVE SCHEMES

Details of awards in terms of the company's share incentive schemes are as follows:

32.1 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 31 December 2015	**Rights granted in 2016**	**Rights exercised in 2016**	**Rights forfeited/ lapsed in 2016**	**Number of rights at 31 December 2016**	Rights time constrained
R6,91	R1,91	25 May 2011	2 703 404	**–**	**–**	**–**	**2 703 404**	–
R3,60	R0,81	22 Oct 2012	377 128	**–**	**134 689**	**–**	**242 439**	–
R4,56	R1,35	25 Feb 2013	532 997	**–**	**–**	**–**	**532 997**	–
R4,01	R1,24	27 May 2013	3 490 791	**–**	**–**	**3 490 791**	**–**	–
R6,90	R2,73	24 Apr 2014	3 070 647	**–**	**–**	**256 213**	**2 814 434**	2 814 434
R8,20	R3,17	23 Apr 2015	2 351 351	**–**	**–**	**199 817**	**2 151 534**	2 151 534
R6,30	R2,52	22 Apr 2016	–	**7 989 067**	**–**	**113 461**	**7 875 606**	7 875 606
			12 526 318	**7 989 067**	**134 689**	**4 060 282**	**16 320 414**	12 841 574

* *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 term of the award was 32 months and vested on 22 October 2015.*

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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:

Share price at grant date	2016 award: R6,30 (2015 award: R8,20; 2014 award: R6,90; 2013 awards: R4,56 (February); R4,01 (May); 2012 award: R3,60; 2011 award: R6,91)
Grant price	The grant price as noted above
Risk-free interest rate	2016 award: 8,02% (2015 award: 7,67%; 2014 award: 8,17%; 2013 award: 6,44%; 2012 award: 6,38%; 2011 award: 7,98%)
Expected volatility	2016 award: 42,29% (2015 award: 40,81%; 2014 award: 42,22%; 2013 awards: 42,70% (February); 42,98% (May); 2012 award: 40,33%; 2011 award: 38,09%)
Expected dividends	2016 award: 0,50% (2015 award: 0,50%; 2014 award: 0,50%; 2013 awards: 4,0% (May); 4,0% (February); 2012 award: 9,85%; 2011 award: 7,56%)
Expected remaining life	2016 award: 76 months (2015 award: 64 months; 2014 award: 52 months; 2013 awards: 41 months; 2012 award: 34 months; 2011 award: 17 months)
Contractual life	84 months
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

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32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.2 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.

Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at 31 December 2015	**Conditional awards exercised in 2016**	**Conditional awards lapsed/ forfeited in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R3,28	27 May 2013	2 273 673	**1 048 255**	**1 225 418**	**–**	–
R6,35	24 Apr 2014	2 759 236	**4 506**	**219 571**	**2 535 159**	2 535 159
R7,60	23 Apr 2015	2 438 928	**1 493**	**154 587**	**2 282 848**	2 282 848
		7 471 837	**1 054 254**	**1 599 576**	**4 818 007**	4 818 007

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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:

Share price at grant date	No 2016 award (2015 award: R8,20; 2014 award: R6,90; 2013 award: R4,01)
Grant price	Nil
Risk-free interest rate	No 2016 award (2015 award: 7,13%; 2014 award: 7,26%; 2013 award: 5,33%)
Expected volatility	No 2016 award (2015 award: 43,22%; 2014 award: 46,74% 2013 award: 46,03%)
Expected dividends	No 2016 award (2015 award: 0,50%; 2014 award: 0,50%; 2013 award: 4,0%)
Expected remaining life	No 2016 award (2015 award: 16 months; 2014 award: 4 months; 2013 awards: Nil))
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Market	Total shareholders' return (TSR)
– Non-market	Return on capital employed (ROCE)

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FOR THE YEAR ENDED 31 DECEMBER 2016

32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.3 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.

Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at 31 December 2015	**Conditional awards granted in 2016**	**Conditional awards exercised in 2016**	**Conditional awards lapsed/ forfeited in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R4,11	1 Mar 2013	144 996	**–**	**144 996**	**–**	**–**	–
R3,64	27 May 2013	763 029	**–**	**704 380**	**58 649**	**–**	–
R6,82	24 Apr 2014	1 034 823	**–**	**118 159**	**71 612**	**845 052**	845 052
R8,09	23 Apr 2015	812 973	**–**	**1 493**	**50 534**	**760 946**	760 946
R5,67	1 May 2016	–	**145 370**	**–**	**–**	**145 370**	145 370
R5,81	1 Jun 2016	–	**87 867**	**–**	**–**	**87 867**	87 867
		2 755 821	**233 237**	**969 028**	**180 795**	**1 839 235**	1 839 235

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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	2016 awards: R5,75 (May); R5,89 (June) (2015 award: R8,20; 2014 award: R6,90; 2013 awards: R4,01 (May); R4,60 (March))
Grant price	The grant price as noted above
Risk-free interest rate	2016 awards: 7,87% (May); 8,15% (June) (2015 award: 7,13%; 2014 award: 7,26%; 2013 award: 5,33%)
Expected volatility	2016 awards: 40,42% (May); 40,22% (June) (2015 award: 43,22%; 2014 award: 46,74%; 2013 award: 46,03%)
Expected dividends	2016 awards: 0,49% (May); 0,48% (June) (2015 award: 0,50%; 2014 award: 0,50%; 2013 awards: 4,0% (May); 4,0% (March))
Expected remaining life	2016 awards: 29 months (June); 25 months (May) (2015 award: 16 months; 2014 award: 4 months; 2013 award: Nil)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None

32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.4 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 three years from	Number of conditional awards at 31 December 2015	**Conditional awards granted in 2016**	**Conditional awards exercised in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R4,55	R3,73	4 Mar 2013	54 220	**–**	**54 220**	**–**	–
R6,61	R6,74	14 Mar 2014	14 907	**–**	**–**	**14 907**	14 907
R6,84	R8,79	8 May 2015	17 319	**–**	**–**	**17 319**	17 319
			86 446	**–**	**54 220**	**32 226**	32 226

The volume-weighted average share price during the year for Hulamin shares was R5,45.

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

Share price at grant date	No 2016 award (2015 award: R6,84; 2014 award: R6,84; 2013 award: R4,55)
Expected dividends	The measurement of the fair value of the deferred bonus shares did not take into account dividends, as no dividend payment was expected
Expected early exercise	Early exercise is taken into account on an expectation basis
Expected remaining life	No 2016 award (2015 award: 17 months; 2014 award: 3 months)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None

The Deferred Bonus Shares were purchased by the participating employees on, 13 March 2013, 26 March 2014 and 8 May 2015 in terms of the 2013, 2014 and 2015 awards respectively.

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32. SHARE-BASED PAYMENTS CONTINUED

OTHER SHARE INCENTIVE SCHEMES

32.5 BEE Equity Transactions

Strategic Partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an effective 13% 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 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	0,5%
Expected remaining life	48 months
Contractual life	60 months
Vesting conditions:	
– Time	Five years
– Non-market	None
– Market	Share price

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 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
Grant price	R5,52
Risk free interest rate	8,58%
Expected volatility	43,15%
Expected dividends	0,5%
Expected remaining life	48 months
Contractual life	60 months
Vesting conditions:	
– Time	Five years
– Non-market	None
– Market	Share price

Isizinda Aluminium (Pty) Ltd (Isizinda)

Bingelela Capital (Pty) Ltd (Bingelela)

On 1 July 2015 Isizinda acquired the Bayside casthouse business. 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 224 000, which was determined on an indirect basis with reference to the intrinsic value of the business.

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 143 000, which was determined on an indirect basis with reference to the intrinsic value of the business.

33. DETAILS OF INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

The financial statements of the group include the financial statements of the company, the subsidiary companies and associate listed in the following table:

Name	Country of incorporation	% Equity interest 2016	% Equity interest 2015
Subsidiaries			
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100
Hulamin Operations (Pty) Ltd	South Africa	**100**	100
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100
Hulamin North America LLC*	United States of America	**100**	100
Isizinda Aluminium (Pty) Ltd*#	South Africa	**38,7**	40
Associates			
Almin Metal Industries Limited**	Zimbabwe	**49**	49

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

\# *Beneficial interest of 100%.*

** *Investment held by Hulamin Extrusions (Pty) Ltd.*

Almin Metal Industries Limited, an associate company, was fully impaired in prior years and at the end of the current reporting period. Therefore, information in respect of the assets, liabilities, revenues and profit or loss of this company has not been disclosed.

All the investments are unlisted.

Special purpose vehicles

The following special purpose vehicles have been consolidated:

– ESOP Trust

– Imbewu SPV 14 (Pty) Ltd.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

34. FINANCIAL RISK MANAGEMENT

34.1 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.

MARKET RISK

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 all 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.

For every 5% weakening or strengthening of the South African Rand against the US Dollar at 31 December, the after tax profit for the year would have been higher or lower by R7 569 000 (2015: lower or higher by R12 059 000) 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 US Dollar-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. Profit was no more sensitive to movements in currency exchange rates in 2016 than in 2015, as all foreign currency denominated assets and liabilities are hedged through foreign exchange contracts. The above change in currency exchange rates would have resulted in equity being lower or higher by R37 713 000 (2015: R56 376 000). The change in equity is mainly from foreign exchange losses or gains on translation of US Dollar-denominated cash flow hedging instruments.

Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash and profit, the approach is to hedge approximately 50% of the risk using futures contracts. At 31 December 2016, 50% (2015: 49%) of the risk was hedged.

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 R463 000 (2015: R28 314 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in aluminium prices is a result of commodity price gains or losses on aluminium futures contracts that were all hedged in 2016 and 2015. For this reason, profit was no more sensitive to movement in commodity prices in 2016 than in 2015. The above change in aluminium prices would have resulted in equity being lower or higher by R19 122 000 (2015: R19 809 000). The change in equity is mainly from losses or gains on translation of US Dollar-denominated cash flow hedging instruments.

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 had 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 (2015: nil) and no effect on equity (2015: 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 884 000 (2015: R4 876 000).

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.

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.1 Financial risk factors continued

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 A credit rating, per Standard and Poor's. Foreign currency counterparty rating of all banks transacted with, as rated by Standard and Poor's, is BBB- which equals South Africa's rating.

Hulamin'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 8 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 8.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (note 9) and trade and other receivables (note 8).

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.

The group's facility utilisation at the period-end was:

	Notes	2016 R'000	2015 R'000
Working capital		**1 300 000**	1 000 000
General banking		**250 000**	250 000
Pension fund		**73 627**	72 019
Current facilities		**1 623 627**	1 322 019
Non-current facilities		**216 000**	270 000
Total borrowing facilities		**1 839 627**	1 592 019
Less:			
Non-current borrowings	12	**(162 000)**	(216 000)
Current borrowings	16	**(490 444)**	(829 401)
Committed undrawn facilities		**1 187 183**	546 618

Non-current facilities comprise a term loan of R216 000 000 (2015: R270 000 000) 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 R250 000 000 (2015: R250 000 000), revolving working capital facilities of R1 300 million (2015: R1 000 million) that are committed for a further 12 months, and a pension fund loan facility of R73 627 000 (2015: R72 019 000).

As R54 000 000 of the term loan is due within 12 months, this has been classified as current and the remainder is classified as non-current. Financial liabilities with maturity dates within the next 12 months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.1 Financial risk factors continued

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

	Less than one year R'000	One to two years R'000	Two to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
2015						
Non-current borrowings		54 000	54 000	54 000	54 000	216 000
Current borrowings	829 401					829 401
Trade and other payables (excluding employee benefit payables)	711 109					711 109
Derivative financial liabilities	235 650					235 650
	1 776 160	54 000	54 000	54 000	54 000	1 922 160
2016						
Non-current borrowings		**54 000**	**54 000**	**54 000**		**162 000**
Current borrowings	**490 444**					**490 444**
Trade and other payables (excluding employee benefit payables)	**1 007 612**					**1 007 612**
Derivative financial liabilities	**15 168**					**15 168**
	1 513 224	**54 000**	**54 000**	**54 000**		**1 675 224**

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 585 million (2015: R1 699 million) which are payable within a period of three months, including trade payables in the amount of R887 873 000 (2015: R564 097 000). Trade receivables amounting to R1 443 million (2015: R1 071 million) are recoverable within a period of three months.

34.2 Capital risk management

The group's objectives when managing capital are to maintain the optimum mix of liquidity and low cost of capital and to be able to finance future growth.

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	2016 R'000	2015 R'000
Non-current borrowings	12	**162 000**	216 000
Current borrowings	16	**490 444**	829 401
Total borrowings		**652 444**	1 045 401
Less: Cash and cash equivalents	10	**(75 627)**	(70 158)
Net borrowings		**576 817**	975 243
Total equity		**4 346 688**	3 854 517
Total capital		**4 923 505**	4 829 760
Gearing ratio (net debt over total capital)	(%)	**12**	20

35. POST BALANCE SHEET EVENTS

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.

Company balance sheet

AS AT 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	2	**3 294 442**	3 239 988
Deferred tax asset	3	**19 953**	17 968
		3 314 395	3 257 956
Current assets			
Trade and other receivables	4	**28 681**	–
Income tax asset		**2 377**	1 394
		31 058	1 394
Total assets		**3 345 453**	3 259 350
EQUITY			
Share capital and share premium	5	**1 877 597**	1 877 597
BEE reserve		**20 000**	20 000
Employee share-based payment reserve		**55 852**	45 707
Retained earnings		**1 322 424**	1 251 800
Total equity		**3 275 873**	3 195 104
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid provision	6	**69 511**	64 154
		69 511	64 154
Current liabilities			
Trade and other payables		**69**	92
		69	92
Total liabilities		**69 580**	64 246
Total equity and liabilities		**3 345 453**	3 259 350

Company income statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
Revenue		**114 029**	95 422
Administrative expenses	7	**(10 857)**	(10 434)
Operating profit		**103 172**	84 988
Taxation	8	**(28 888)**	(23 797)
Net profit for the year attributable to equity holders of the company		**74 284**	61 191

Company statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
Net profit for the year attributable to equity holders of the company	**74 284**	61 191
Other comprehensive loss for the year		
Items that will not be reclassified to profit or loss	**(3 660)**	1 945
Remeasurement of post-retirement medical obligation	**(5 082)**	2 701
Income tax effect	**1 422**	(756)
Total comprehensive income for the year attributable to equity holders of the company	**70 624**	63 136

Company statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital R'000	Share premium 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 2014	31 960	1 785 620	41 411	–	1 294 123	3 153 114
Net profit for the year	–	–	–	–	61 191	61 191
Other total comprehensive income for the year after tax	–	–	–	–	1 945	1 945
A and B ordinary shares issued	60 017	–	–	–	–	60 017
Value of employee services of subsidiaries	–	–	16 777	–	–	16 777
Settlement of employee share incentives	–	–	(12 481)	–	–	(12 481)
Share-based payment costs on 2015 BEE transaction	–	–	–	20 000	–	20 000
Dividends paid	–	–	–	–	(105 459)	(105 459)
Transfer of share premium to share capital	1 785 620	(1 785 620)	–	–	–	–
Balance at 31 December 2015	1 877 597	–	45 707	20 000	1 251 800	3 195 104
Net profit for the year	**–**	**–**	**–**	**–**	**74 284**	**74 284**
Other total comprehensive income for the year after tax	**–**	**–**	**–**	**–**	**(3 660)**	**(3 660)**
Value of employee services of subsidiaries	**–**	**–**	**26 998**	**–**	**–**	**26 998**
Settlement of employee share incentives	**–**	**–**	**(16 853)**	**–**	**–**	**(16 853)**
Balance at 31 December 2016	**1 877 597**	**–**	**55 852**	**20 000**	**1 322 424**	**3 275 873**

HULAMIN

Company cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	**103 172**	84 988
Changes in working capital	**(28 704)**	(107)
Movement in retirement benefit obligation	**275**	(3 432)
Employee share-based costs	**26 998**	16 777
BEE share-based payment costs	**–**	20 000
Income tax payment	**(30 434)**	(24 104)
Net cash inflow from operating activities	**71 307**	94 122
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments in subsidiaries	**(54 454)**	(36 199)
Net cash outflow from investing activities	**(54 454)**	(36 199)
CASH FLOWS FROM FINANCING ACTIVITIES		
Ordinary shares issued	**–**	60 017
Settlement of employee share incentives	**(16 853)**	(12 481)
Dividends paid	**–**	(105 459)
Net cash outflow from financing activities	**(16 853)**	(57 923)
Net increase in cash and cash equivalents	**–**	–
Cash and cash equivalents at beginning of year	**–**	–
Cash and cash equivalents at end of year	**–**	–

FINANCIAL STATEMENTS

Notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES

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 financial statements are prepared using the historical cost convention and are prepared on the going concern basis.

The financial statements are prepared using accrual accounting whereby the effects of transactions and other events are recognised when they occur rather than when the cash is received.

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

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 income statement 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 Judgements, estimates and assumptions

The accounting estimates and critical judgements applied by the key management of Hulamin Limited are discussed in the group's consolidated financial statements (see note 1.32).

1.3 Principal accounting policies

The principal accounting policies applied by the company are the same as those presented in note 1 to the consolidated group financial statements, to the extent that the group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the company financial statements are those relating to consolidation accounting.

The accounting policies which are either different, or additional, to those applied by the group are stated as follows:

1.3.1 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.

1.3.2 Revenue

Revenue of the company comprises interest income and management and agency fees.

Management and agency fees are recognised as the services are performed.

Interest income comprises interest earned on loan to subsidiary.

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.

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	2016 R'000	2015 R'000

2. INVESTMENT IN SUBSIDIARIES

	2016 R'000	2015 R'000
Investment in shares in subsidiaries	**2 483 512**	2 473 367
Loan to subsidiary	**810 930**	766 621
	3 294 442	3 239 988

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares of Hulamin Operations (Pty) Ltd.

The effective interest rate on the loan to subsidiary for the year was 13,7% (2015: 12,7%). No fixed 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.

3. DEFERRED TAX ASSET

	2016 R'000	2015 R'000
At beginning of year	**17 968**	19 685
Income statement		
Current year charge (note 7)	**562**	(961)
Deferred tax credit on other comprehensive items	**1 423**	(756)
At end of year	**19 953**	17 968
Comprising:		
Post-retirement medical aid provision	**19 945**	17 963
Other	**8**	5
	19 953	17 968
Deferred tax asset to be recovered after more than 12 months	**19 945**	17 963
Deferred tax asset to be recovered within 12 months	**8**	5
	19 953	17 968

4. TRADE AND OTHER RECEIVABLES

	2016 R'000	2015 R'000
Financial assets		
Trade receivables	**28 681**	–

Trade receivables represent accrued interest on loan to subsidiary.

They are neither overdue nor impaired; are not covered by credit insurance and have no collateral.

Notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
5. SHARE CAPITAL AND SHARE PREMIUM		
5.1 Authorised		
800 000 000 ordinary shares of no par value (2015: 800 000 ordinary shares of no par value)		
31 477 333 A ordinary shares of no par value (2015: 31 477 333 ordinary shares of no par value)		
36 072 000 B ordinary shares of no par value (2015: 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.		
5.2 Issued		
Ordinary shares		
Opening balance: 319 596 836 ordinary shares of no par value	**1 817 580**	31 960
(2015: 319 596 836 ordinary shares of 10 cents each)		
Issued during year: nil (2015: nil)	**–**	–
Transfer from share premium	**–**	1 785 620
Closing balance: 319 596 836 ordinary shares of no par value	**1 817 580**	1 817 580
(2015: 319 596 836 ordinary shares of no par value)		
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares of no par value	**59 656**	–
(2015: nil)		
Issued during the year: nil	**–**	59 656
(2015: 4 721 600 A1 and 26 755 733 A2 shares of no par value)		
B ordinary shares		
Opening balance: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value	**361**	–
(2015: nil)		
Issued during the year: nil		
(9 018 000 B1 ordinary shares of no par value, 9 018 000 B2 ordinary shares of no par value, 18 036 000 B3 ordinary shares of no par value)	**–**	361
Total issued stated/share capital	**1 877 597**	1 877 597
Share premium		
Opening balance	**–**	1 785 620
Transfer to share capital	**–**	(1 785 620)
Stated capital/share capital and share premium	**1 877 597**	1 877 597

5.3 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 the group financial statements.

Under the control of the directors:

At 31 December 2016, 6 801 529 unissued ordinary shares (2015: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes.

HULAMIN

	2016 R'000	2015 R'000
6. 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.		
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**69 511**	64 154
Liability in the balance sheet	**69 511**	64 154
The liability can be reconciled as follows:		
Balance at beginning of year	**64 154**	70 287
Total expense accrued	**6 635**	5 589
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**2 338**	(4 160)
Actuarial losses arising from changes in experience adjustments	**2 744**	1 459
Benefit payments	**(6 360)**	(9 021)
Balance at end of year	**69 511**	64 154
Amounts recognised in the income statement are as follows:		
Interest costs	**6 635**	5 849
Settlement gain	**–**	(260)
	6 635	5 589
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**2 338**	(4 160)
Actuarial losses arising from changes in experience adjustments	**2 744**	1 459

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.

Notes to the company financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016 R'000	2015 R'000
6. POST-RETIREMENT MEDICAL AID BENEFITS CONTINUED			
Changes in the principal financial assumptions are detailed below.			
Principal financial assumptions:			
Discount rate	(%)	**9,70**	10,85
Future company subsidy rate – in service	(%)	**8,15**	8,85
Future company subsidy rate – pensioners	(%)	**8,45**	9,15
Sensitivity of future medical inflation rate			
1% increase in future medical inflation rate			
– effect on the aggregate of the service and interest costs		**575**	585
1% increase in future medical inflation rate – effect on the obligation		**5 934**	5 389
1% decrease in future medical inflation rate			
– effect on the aggregate of the service and interest costs		**(507)**	(515)
1% decrease in future medical inflation rate – effect on the obligation		**(5 221)**	(4 751)

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 2016 is 8,6 years (2015: 8,6 years).

	2016 R'000	2015 R'000
Estimated benefits payable by the group in the next financial year	**6 602**	6 003

7. ADMINISTRATIVE EXPENSES

	2016 R'000	2015 R'000
Post-retirement medical aid costs	**6 635**	5 589
Auditors' remuneration (note 7.1)	**171**	150
Other costs	**4 051**	4 695
	10 857	10 434

7.1 Auditors' remuneration

	2016 R'000	2015 R'000
Audit fees	**145**	141
Expenses	**26**	9
	171	150

7.2 Directors' emoluments

	2016 R'000	2015 R'000
Non-executives		
Fees	**3 945**	3 866
	3 945	3 866

		2016 R'000	2015 R'000
8. TAXATION			
South African normal taxation:			
Current			
Current year		**29 450**	22 836
Deferred			
Current year (note 3)		**(562)**	961
		28 888	23 797
Normal rate of taxation	(%)	**28,0**	28,0
Adjusted for:			
Items of a capital nature	(%)	**–**	–
Effective rate of taxation	(%)	**28,0**	28,0

9. RELATED PARTY TRANSACTIONS

During the year the company, in the ordinary course of business, entered into the following related party transactions:

	2016 R'000	2015 R'000
Interest received from subsidiary	**109 186**	90 465
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**4 739**	4 853

Transactions with non-executive directors are detailed in the group annual financial statements.

The following balances were outstanding at the end of the reporting period:

	2016 R'000	2015 R'000
Loan balance owing by subsidiary (note 2)	**810 930**	766 621

10. DIVIDENDS PER SHARE

	2016 R'000	2015 R'000
Dividends per share declared		
Interim dividend: nil (2015: 8 cents on 319 596 836 ordinary shares)	**–**	25 568
Final dividend: 15 cents on 319 596 836 ordinary shares (2015: nil)	**47 940**	–
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2015: nil)	**708**	–
Total	**48 648**	25 568

The final dividend was declared subsequent to year-end and therefore has not been provided for in the company financial statements.


2B

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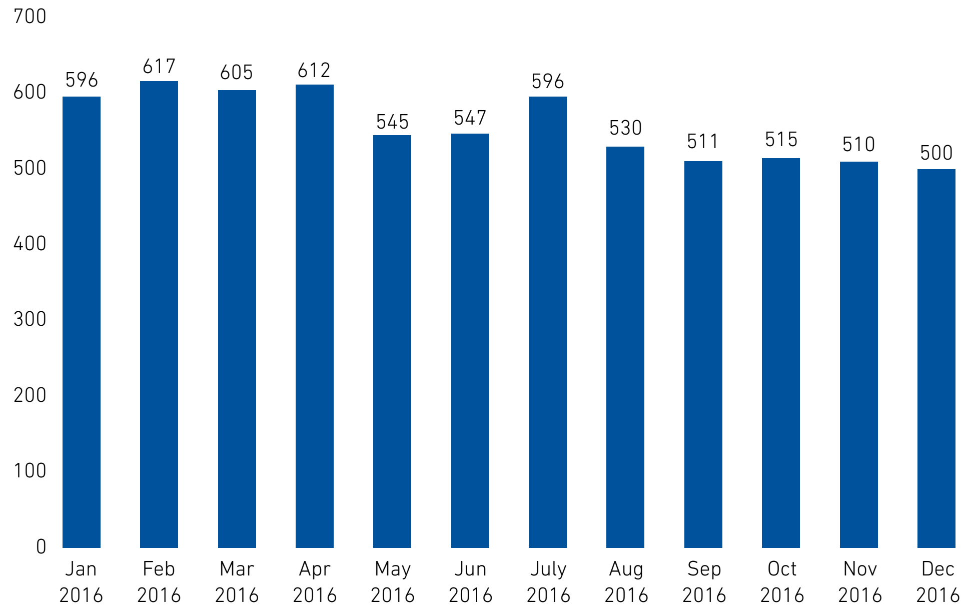
Analysis of shareholders

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Size of holdings				
1 – 1 000	2 422	52,24	610 227	0,19
1 001 – 10 000	1 439	31,04	5 953 500	1,86
10 001 –100 000	594	12,81	19 799 220	6,20
100 001 – 1 000 000	134	2,89	44 359 763	13,88
Over 1 000 000 shares	47	1,01	248 874 126	77,87
	4 636	100,00	319 596 836	100,00
Public/non-public shareholders				
Non-public shareholders	8	0,15	95 475 026	29,87
Directors of the company	6	0,11	835 861	0,26
Strategic Holding (more than 10%)	1	0,02	94 587 954	29,60
Hulamin Management Share Ownership Trust	1	0,02	51 211	0,01
Public shareholders	4 628	99,85	224 121 810	70,13
Total listed shareholders	4 636	100,00	319 596 836	100,00
Beneficial shareholders holding more than 5% of share capital				
Industrial Development Corporation			94 587 954	29,60
Truffle			22 745 286	7,12
Investec			16 348 411	5,12
Total			133 681 651	41,84

Hulamin share price

AS AT 31 DECEMBER 2016

HULAMIN VOLUME WEIGHTED AVERAGE SHARE PRICE BY MONTH (cents per share)



Shareholders' diary

Financial year-end			31 December
Annual general meeting			April
Reports and profit statements	Interim results		July
	Annual results and final dividend declaration		February
	Annual financial statements		March
Dividends	Interim	Declared	July
		Paid	August
	Final	Declared	February
		Paid	March

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 77th annual general meeting of shareholders will be held at the company's offices, Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal on Wednesday, 26 April 2017 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.

1. To receive, consider and adopt the annual financial statements of the company for the year ended 31 December 2016, including the reports of the directors, the independent auditors and the Audit Committee contained therein.

2. To authorise the directors to reappoint PricewaterhouseCoopers as the independent registered auditors of the company who will undertake the audit for the company for the ensuing year.

The group Audit Committee has evaluated the performance of PricewaterhouseCoopers and has recommended their reappointment as independent registered auditors of the company.

3. To re-elect the following directors who retire by rotation 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 T P Leeuw, Mr M Z Mkhize and Mr M E Mkwanazi). The profiles of the directors up for re-election appear below.

3.1 Thabo Patrick Leeuw (53)

- Independent non-executive director
- Chairman of the Audit Committee and Member of the Risk and SHE Committee
- Chief Executive Officer: Thesele Group
- 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 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.

3.2 Moses Zamani Mkhize (55)

- Executive director: Manufacturing
- 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.

3.3 Mafika Edmund Mkwanazi (62)

- Independent non-executive Chairman
- Member of the Remuneration and Nomination Committee and of the Risk and SHE Committee
- Businessman; Director of companies
- BSc (Mathematics); BSc (Engineering)
- Management Development Programme; Strategies of Successful Business Management

Mafika has held various business positions including chief executive officer of Metro Rail Services from 1995 to 1996, executive director of Spoornet from 1996 to 1998, managing director of Transnet from 2000 to 2003, chairman of Western Areas, Letseng Diamonds and Orlyfunt Holdings from 2003 to 2006. He was appointed non-executive director Eskom from July 2011 to December 2014. Other directorships he holds include Mediterranean Shipping Company (Pty) Ltd and Stefanutti & Stocks. He was appointed to the Hulamin board in 2007.

HULAMIN

4. To re-elect the following directors who were appointed to the board of the company in 2016, and who retire by rotation in accordance with Article 33.7 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 C A Boles, Mr A P Krull, Mr N Maharajh and Dr B Mehlomakulu). The profiles of the directors up for re-election appear below.

4.1 Charles Alexander Boles (47)

- Independent non-executive director
- 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 a depth of experience in finance, investments and private equity. He was appointed to the Hulamin board in October 2016.

4.2 Anton Paul Krull (42)

- Chief Financial Officer
- Member of the Risk and SHE Committee
- CA(SA)

Prior to rejoining Hulamin in May 2016, Anton served briefly as Finance Director of the local operation of Amcor, a global listed packaging company. He previously served in senior financial positions within Hulamin for a period of seven years from 2008, most recently as General Manager: Group Finance. Prior to joining Hulamin, Anton spent four years with the Spar Group, and four years in the United Kingdom in corporate finance and restructuring advisory positions with Arthur Andersen and Ernst & Young.

4.3 Naran Maharajh (50)

- Independent non-executive director
- Director of BCA Inc.
- CA(SA)

Naran is a practicing chartered accountant and a director of BCA Inc. He completed his 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 Ltd. He is also a member of the audit and risk committee 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 in September 2016.

4.4 Dr Bonakele Mehlomakulu (44)

- Independent non-executive director
- Chief Executive Officer – South African Bureau of Standards
- BSc (Hons) (Chemistry and Applied Chemistry); MSc (Organic Chemistry); PhD (Chemical Engineering)

Dr Mehlomakulu's career started at Sasol before joining the Department of Science and Technology in various management roles. Dr Mehlomakulu is the Deputy Chair of Unisa Council, a non-Executive Director of Yokagawa South Africa and a Council Member of the International Standards Organisation (ISO, Geneva). Past Boards and Directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa (NECSA), Eskom Holdings SOC Limited and the Technology Innovation Agency (TIA). She was appointed to the Hulamin board in November 2016.

5. To elect the following independent non-executive directors as independent members of the group Audit Committee and to appoint Mr T P Leeuw as chairman of the group Audit Committee. Motions for election will be moved individually.

5.1. Mr T P Leeuw (Chairman) (subject to the adoption of resolution 3.3 above)

5.2. Mr N Maharajh (subject to the adoption of 3.4 above)

5.3. Ms N N A Matyumza

The profiles of the directors up for re-election other than for Messrs T P Leeuw and N Maharajh appear below

T P Leeuw (53) – Refer above

N Maharajh (50) – Refer above

Nomgando Angelina Matyumza (53)

- 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

Notice of annual general meeting continued

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 Ithala Limited, KZN Growth Fund Managers (Pty) Limited, Wilson Bayley Holmes-Ovcon Limited, Cadiz Holdings Limited and SASOL Limited. She was appointed to the Hulamin board with effect from 1 March 2010.

Note: Ages quoted for all board members are at 31 December2016.

6. APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

Directors' fees were approved at the annual general meeting in 2016 and are applicable for the 12-month period ending 31 July 2017.

The board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2017, be as set out below.

		Present fees to 31 July 2017		**Proposed fees from 1 August 2017**	
		Retainer per annum R	Attendance per meeting R	**Retainer per annum R**	**Attendance per meeting R**
HULAMIN BOARD					
Chairman		405 823	34 786	**430 980**	**36 940**
Non-executive directors		148 286	12 710	**157 480**	**13 500**
AUDIT COMMITTEE					
Chairman		106 721	15 246	**113 340**	**16 190**
Non-executive directors – member		62 011	8 858	**65 860**	**9 410**
– invitee			8 858		**9 410**
RISK AND SAFETY, HEALTH AND ENVIRONMENT COMMITTEE					
Chairman		73 694	10 528	**78 260**	**11 180**
Non-executive directors – member		40 442	5 778	**42 950**	**6 140**
– invitee			5 778		**6 140**
REMUNERATION AND NOMINATION COMMITTEE					
Chairman		73 694	10 528	**78 260**	**11 180**
Non-executive directors – member		40 442	5 778	**42 950**	**6 140**
– invitee			5 778		**6 140**
TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE					
Chairman		73 694	10 528	**78 260**	**11 180**
Non-executive directors – member		40 442	5 778	**42 950**	**6 140**
– invitee			5 778		**6 140**
AD HOC BOARD COMMITTEE					
(For example Chairman's Commtitee)					
Chairman		73 694	10 528	**78 260**	**11 180**
Non-executive directors – member		40 442	5 778	**42 950**	**6 140**
– invitee			5 778		**6 140**
FEES FOR THE INTERNATIONAL DIRECTORS					
Hulamin board – International directors					
Non-executive directors	(€)	30 220	2 589	**30 522**	**2 615**
Non-executive directors	($)	–	–	**30 522**	**2 615**

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 2017, be and are hereby approved."

As regards the attendance fee, the board of directors typically holds five meetings a year and there are normally three meetings for the Remuneration and Nomination Committee a year and three meetings for each of the other sub-committees of the board.

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.

7. 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 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."

8. REMUNERATION POLICY – NON-BINDING ADVISORY VOTE

King III recommends that, at each annual general meeting, shareholders consider and endorse, as a non-binding advisory vote, the group's remuneration policy. The principles and key elements of the group's remuneration policy are set out on pages 82 to 84 of the integrated annual report.

The Hulamin Remuneration and Nomination Committee has considered the remuneration policy and recommends that shareholders approve the following resolution:

"Resolved that the Hulamin remuneration policy, set out on pages 82 to 84 of the integrated annual report and which is deemed to be part of the annual general meeting notice, be endorsed."

- Report back from the Transformation, Social and Ethics Committee on social and ethics matters pertaining to the company, which is attached hereto as Annexure A.
- To transact such other business as may be transacted at an annual general meeting.

VOTING AND PROXIES

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company for purposes of being entitled to receive the notice for the annual general meeting to be held on Wednesday, 26 April 2017 is Friday, 17 March 2017.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of being entitled to attend and vote at the annual general meeting, is Friday, 21 April 2017. The last day to trade for the purposes of being entitled to attend and vote at the annual general meeting is therefore Tuesday, 18 April 2017.

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 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. Such proxy form, duly completed, must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 20196 (PO Box 61051, Marshalltown, 2107) by no later than 15:00 on Monday, 24 April 2017. 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.

Notice of annual general meeting continued

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 Tuesday, 18 April 2017 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.

Registered office
Moses Mabhida Road
Pietermaritzburg
KwaZulu-Natal

Transfer Secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers, 15 Biermann Ave, 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, Ms L C Cele, advised that the following, inter alia, were discussed at the Transformation, Social and Ethics Committee meetings held during 2016.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act and the annual work plan
- 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's
- 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
- 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.

Notes

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.

Instead, they must either provide the CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting themselves on Wednesday, 26 April 2017, they may 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.

Completed forms of proxy must be received at the office of the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Rosebank Towers, 15 Biermann Ave, Rosebank, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by no later than 15:00 on Monday, 24 April 2017. 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)

being the holder/holders of ordinary shares in Hulamin do hereby appoint

1. of (or failing him/her)

2. of (or failing him/her)

3. 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, 26 April 2017, 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.	Adoption of annual financial statements			
2.	Confirmation of appointment of auditors – retaining the services of PricewaterhouseCoopers			
3.	Re-election of directors retiring by rotation:			
3.1	T P Leeuw			
3.2	M Z Mkhize			
3.3	M E Mkwanazi			
4.	Re-election of directors retiring by rotation:			
4.1	C A Boles			
4.2	A P Krull			
4.3	N Maharajh			
4.4	Dr B Mehlomakulu			
5.	Appointment of group Audit Committee members and T P Leeuw as chairman of the group Audit Committee:			
5.1	T P Leeuw as chairman			
5.2	N Maharajh			
5.3	N N A Matyumza			
6.	Special resolution number 1: Approval of non-executive directors' fees			
7.	Special resolution number 2: Provision of financial assistance			
8.	Non-binding advisory vote – remuneration policy			

Signed at on this day of 2017

Signature:

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 shareholder's 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 number: 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
E-mail: hulamin@hulamin.co.za

Securities exchange listing
South Africa (Primary), JSE Limited

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Rosebank Towers
15 Biermann Ave, Rosebank
Johannesburg, 2196
PO Box 61051, Marshalltown, 2107

Corporate information and investor relations
BA Mngadi
E-mail: Ayanda.Mngadi@hulamin.co.za

Auditors
PricewaterhouseCoopers
34 Richeford Circle
Ridgeside Office Park
Umhlanga Rocks, 4319
PO Box 1274, Umhlanga Rocks, 4320
Practice number: 905178E
Telephone: +27 31 271 2000
Facsimile: +27 31 815 2000
Website: www.pwc.com/za

Sponsor
Rand Merchant Bank (A division of FirstRand Bank Limited)
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton, 2196
PO Box 786273, Sandton, 2146

Directorate

NON-EXECUTIVE DIRECTORS
C A Boles*[4]
L C Cele*
V N Khumalo
T P Leeuw*
N Maharajh*[3]
J B Magwaza[1]
N N A Matyumza*
B Mehlomakulu (Dr)*[5]
M E Mkwanazi, Chairman*
S P Ngwenya
P H Staude*
G H M Watson*
G C Zondi (Alternate)[2]

EXECUTIVE DIRECTORS
R G Jacob, Chief Executive Officer
D A Austin, Chief Financial Officer[1]
A P Krull, Chief Financial Officer[2]
M Z Mkhize, Group Executive: Manufacturing

* *Independent non-executive directors*
1 *Resigned 30 April 2016*
2 *Appointment 1 May 2016*
3 *Appointment 1 September 2016*
4 *Appointment 1 October 2016*
5 *Appointment 1 November 2016*

Company Secretary
W Fitchat
E-mail: willem.fitchat@hulamin.co.za

www.hulamin.co.za