HULAMIN

Think future. Think aluminium.

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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INTRODUCTION

ABOUT THIS REPORT

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

Scope

The scope of this report includes Hulamin Limited, its subsidiaries and operating divisions, listed on page 8. The report covers the period 1 January 2019 to 31 December 2019.

Our audience

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

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

Reporting frameworks

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

- International Integrated Reporting Framework, December 2013
- King Report on Corporate Governance (King IV)
- JSE Limited Listing 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 Hulamin.

Materiality and comparability

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

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

Forward-looking information

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

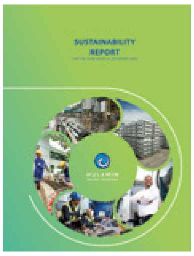
Board approval

The Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and to the best of its knowledge and belief the integrated annual report for 2019 addresses all material issues and presents fairly the integrated performance of Hulamin and its impacts. The report has been prepared in line with best practice and the Board confirms that it has approved the release of the 2019 integrated annual report.

Feedback from our stakeholders

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

Our 2019 reports



Content and assurance providers

Annual financial statements: Ernst & Young Inc.

Review of internal controls: PricewaterhouseCoopers Advisory Services Proprietary Limited

BEE contributor level: Empowerdex

Sustainability report (selected information): KPMG Services Proprietary Limited

CHAIRMAN'S REVIEW

Hulamin remains an iconic brand in the South African metals industry. Over more than eight decades, Hulamin has supplied cutting edge aluminium products into the local economy. In adding value to all stakeholders, Hulamin continues to carve out a unique space in South African manufacturing. Our unique character is driven by our five values:

- Mutual respect
- Honesty and Integrity
- Customer value
- Working safely and responsibly
- Teamwork

The company experienced its most difficult year for many years in 2019, with challenges being faced across a number of fronts. In both Hulamin Rolled Products and Hulamin Extrusions, we experienced serious sales volumes declines. Being heavily fixed cost driven, Hulamin profitability is particularly volume sensitive and therefore losses were incurred.

Although the business' financial performance for 2019 is measurably below expectation, it has led us to address key cost and risk issues in both major operating companies. Rolled Products has reduced costs by approximately R250 million per annum and is establishing new distribution channels into USA. Extrusions has restructured to a single site (with the resulting lower costs) and is addressing key operational (asset) risks as well as strategic market risks.

Even as 2020 begins, Hulamin continues to face challenges resulting from the COVID-19 impact, depressed macro-economic environments, trade politics as well as political uncertainty both locally and internationally. The global economy, SA market and USA aluminium market specifically, deteriorated in 2019. Trade conditions and prices have softened, making the operating environment more challenging than in previous years. However, the cost reduction and balance sheet protection measures we have taken in 2019 will enable the business to weather these challenges.

Turnaround plans for Rolled Products and Extrusions

Both Rolled Products and Extrusions experienced challenging operating conditions during 2019.

In Rolled Products, the USA market has softened where there has been a widespread build-up of inventory. Following disruptions to Hulamin's North American distribution channel, a consequent build-up of Hulamin inventory occurred. This was further compounded by softness in the local South African market. Consequently, sales volumes came under pressure during the year. As a result of the large fixed cost component to the business, this exposed a cost reduction imperative in Rolled Products.

Furthermore, these disruptions to our distribution channel into the USA are proving to be more long-lasting than originally considered. This is in spite of good demand from end-use customers for Hulamin's rolled aluminium products. This has resulted in the requirement to rebuild product/market strategies around new and different distribution arrangements to ensure the free flow of product to Hulamin customers.

Timing mismatches between customer offtake lead times and metal ordering arrangements with Hillside Aluminium aggravated already softening demand. A significant build-up of inventory and working capital occurred, resulting in debt levels increasing by approximately R300 million at half-year.

These factors led the Board to mandate management to develop turnaround plans in Rolled Products to focus on these three concerns: rising costs, pressure on sales volumes and inventory build-up.

Hulamin Extrusions also experienced very challenging operating conditions during the first half, including continuing market erosion due to low priced imports. Early in the first quarter, fatigue cracks appeared in a core structural component of Extrusions' largest press, located in its Pietermaritzburg operation. Following four years of declining profits and cash flows, the Board mandated management to also develop turnaround plans to restore the business to levels of acceptable performance. Management presented a plan to significantly reduce costs by consolidating Extrusions operations onto a single site at Pietermaritzburg. This will reduce volume by 25%, however the 40% reduction in costs will consequently lead to an improvement in EBITDA and cash flow.

The Olifantsfontein operation was successfully closed at the end of November and relevant assets relocated to Pietermaritzburg. Although approximately 40 Olifantsfontein employees chose to relocate to Pietermaritzburg, it is particularly unfortunate that approximately 180 Olifantsfontein employees' posts were made redundant; these employees were released during the second half following a comprehensive consultation process in line with S189 of the Basic Conditions of Employment Act.

Market conditions

Market conditions, both locally and in the United States, deteriorated during 2019, even prior to the COVID-19 outbreak. In the local market, ongoing economic and political uncertainty has undermined investment in the economy, perpetuating weak economic conditions. For Hulamin in 2019, this has meant ongoing soft demand for extrusions and most non-packaging products. Automotive sales were particularly volatile during the year under review, ending 2019 15% lower than in 2018.

Hulamin sells between 20% and 30% of its rolled products in the USA. During 2017 and 2018, President Trump signed a number of tariff and duty applications into law. While over the longer term this will likely reduce supply into the market and therefore raise prices for domestic producers, in 2018 and flowing through into 2019, this resulted in excessive over-stocking as traders bought up capacity, hoping to release it into the market at higher prices at a later stage. This excess inventory continued throughout 2019 and resulted in Hulamin's distribution partner being unable to procure Hulamin full heat treated plate and standard products capacity, as has been the case in recent years.

Aluminium supply and electricity

Hulamin benefits from the local supply of primary aluminium from Hillside Aluminium. These local benefits include access to molten aluminium, flexibility and other commercial benefits relating to the geographic proximity of Hillside to Hulamin.

During 2019, Hulamin and Hillside proceeded with contract renegotiation discussions to renew the metal deal that was in place from 2015 to 2019. During the fourth quarter, we reached agreement on all terms, resulting in management bringing approval resolutions to both parties' boards. As a result of the dependence of Hillside on electricity, the proposed agreement is subject to Hillside concluding electricity supply agreements with Eskom during the metal supply period.

The well-known issues at Eskom have resulted in much publicity and political interest in Eskom's commercial dealings. Eskom and Hillside have jointly applied for the approval of a new electricity supply arrangement to NERSA. The board eagerly awaits the outcome.

Carbon footprint – Eskom

Hulamin exports around 60% of its production to customers throughout the world. Increasingly, customers require competitive and reducing carbon footprints implied in the products they procure.

The World Bank calculated that South Africa is the fifth highest carbon emitter per unit of GDP in the world. The countries ahead of us appear considerably smaller and less dependent on exports and include Curacao, Trinidad, Palau and Turkmenistan.

Increasingly, Hulamin customers around the world require carbon disclosure per ton of product sold. Approximately one third of Hulamin's energy consumed is in the form of electricity. Yet almost 75% of Hulamin's carbon footprint arises out of our electricity consumption. This is a direct result of Eskom having neglected to mitigate its reliance on high carbon coal-based energy. As a result, Hulamin will face increasing pressure to remain competitive against producers who have access to move favourable carbon footprint electricity.

Isizinda – the aluminium hub in Richards Bay

The Board continues to place great value on the transformational role that Hulamin plays in normalising South African society and creating opportunities for participation in the economy for those previously excluded.

To this end, we are pleased to have concluded the restructuring of Isizinda with our Bingelela partners. The original arrangement was struck in 2015 when Isizinda acquired the value-added casthouse business from South32.

Under the revised arrangements, Hulamin has acquired the slab casthouse from Isizinda. With the capital that this unlocks for Bingelela, a rim alloy business has been started, and is planned to commence operations in 2020. Furthermore, feasibility studies for a Bingelela-owned extrusion billet business have largely been completed, with capital raising underway.

Safety

In 2019, Hulamin continued its recent history of world-class safety performance.

Safety levels achieved in 2019 (TRCFR was 0.37 and LTIFR was 0.14) were not as good as those achieved in 2018 (0.24 and 0.05 respectively). However, these levels illustrate that Hulamin employees are well protected when they come to work. Hulamin has a proud safety record, at or better than the safest plants in our industry anywhere in the world.

Hulamin employees at all levels have embraced a safety culture that is congruent with our Hulamin value of mutual respect. We focus on a range of behavioural based safety approaches that assist employees to identify and manage workplace safety risks. These approaches are:

- Be there (visible felt leadership)
- Look to see (including planned job observations, walk-the-talks etc.)
- Appreciate the risk (risk assessment)
- Corrective action
- Reinforcement

Conclusion and outlook

The board is satisfied with the efforts to ensure sustainability at Hulamin. With our emphasis on performance, transformation and strategic execution, Hulamin remains well placed to continue creating value for stakeholders. The board looks forward to a growing, sustainable future for Hulamin where expectations of all stakeholders are met.

Thabo Leeuw
Chairman

INTRODUCING HULAMIN

01

HULAMIN AT A GLANCE

Hulamin is a leading, mid-stream aluminium semi-fabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal.

We purchase primary aluminium and supply a range of high value, niche rolled products and complex extrusions to manufacturers of finished products in South Africa and over 50 countries around the world.

Hulamin's largest activity is aluminium rolling which contributes around 90% of our revenue, with the balance comprising extruded products and other downstream products. Although the South African market is an important and growing element of our business, a significant portion of rolled products are exported to regions such as Europe, North America, the Middle East and Asia.

Our Philosophy

Through a commitment to a common purpose we can forge our own destiny. Knowledge and attitude give us power over our business challenges and personal circumstances.

Our Core Purpose

Our core purpose is to create value through the manufacture of high-value aluminium semi-fabricated products. In doing so, we aim to contribute to the upliftment of the standard of living in the region. We achieve this by stimulating business activities associated with adding value to the large quantities of primary aluminium produced in the region and through pursuing related business opportunities within which we can further apply our capabilities.

Our Vision

To drive value to all stakeholders, whilst contributing to a better, more inclusive world.

Our Promises

- Earn a reputation for excellent customer service
- Assist all employees to uplift their skill levels
- Generate respectable profits in our operations
- Set the benchmark in our industry for safe and responsible manufacturing

Our Values

- Mutual Respect
- Working safely and responsibly
- Honesty and Integrity
- Customer value
- Teamwork

The Standards We Set Ourselves

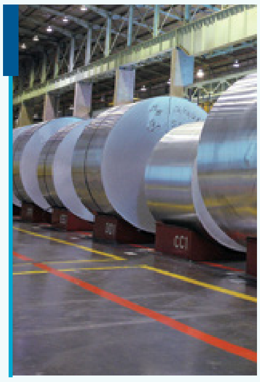
Our success is measured by the extent to which:

- We are respected and admired by all our stakeholders;
- We are regarded as an employer of choice;
- We are filled with pride in our achievements; and
- We make the world a better place.

GROUP OVERVIEW

Hulamin Rolled Products, Hulamin Containers and Isizinda Aluminium together form the Rolled Products operating division which is responsible for semi-fabrication and fabrication of rolled aluminium products and forms the Rolled Products reportable segment. Hulamin Extrusions comprises the Extrusions operating division which is responsible for the semi-fabrication of extruded aluminium products and forms the Extrusions reportable segment.

Hulamin Rolled Products



Principal activity

Hulamin Rolled Products produces a range of technologically sophisticated sheet, coil and plate products focusing on high-quality, tight tolerance and complex products.

Production facilities include re-melting and recycling facilities, direct-chill ingot casting, continuous casters, hot, cold and foil rolling mills and further finishing processing lines, all based in Pietermaritzburg, KwaZulu-Natal.

Key markets

The majority of products are exported to customers in North America, Western Europe and the Far and Middle East for use in the packaging, automotive and transportation, engineering, and building and construction markets.

Key Strategic Focus Areas

- Operational performance and cost competitiveness.
- Rolling slab and melting ingot supply.
- Secondary melting processing.
- Local market growth and opportunities.
- High value products.

Hulamin Extrusions

Principal activity

Based in Pietermaritzburg, KwaZulu-Natal, Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

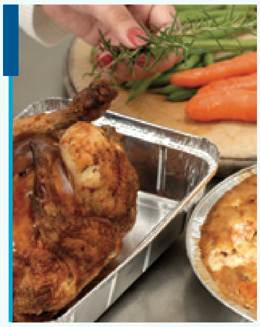
Key markets

Hulamin Extrusions supplies the local engineering and architectural markets.

Key Strategic Focus Areas

- Security of billet and secondary metal supply
- Cost competitiveness
- Market growth and opportunities

Hulamin Containers



Principal activity

Hulamin Containers, a downstream business, is a leading producer of standard and customised rigid aluminium foil containers for the catering industry and for household use.

Hulamin Containers 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.

Key Strategic Focus Areas

- Operational performance and cost competitiveness
- Local and international market growth and opportunities

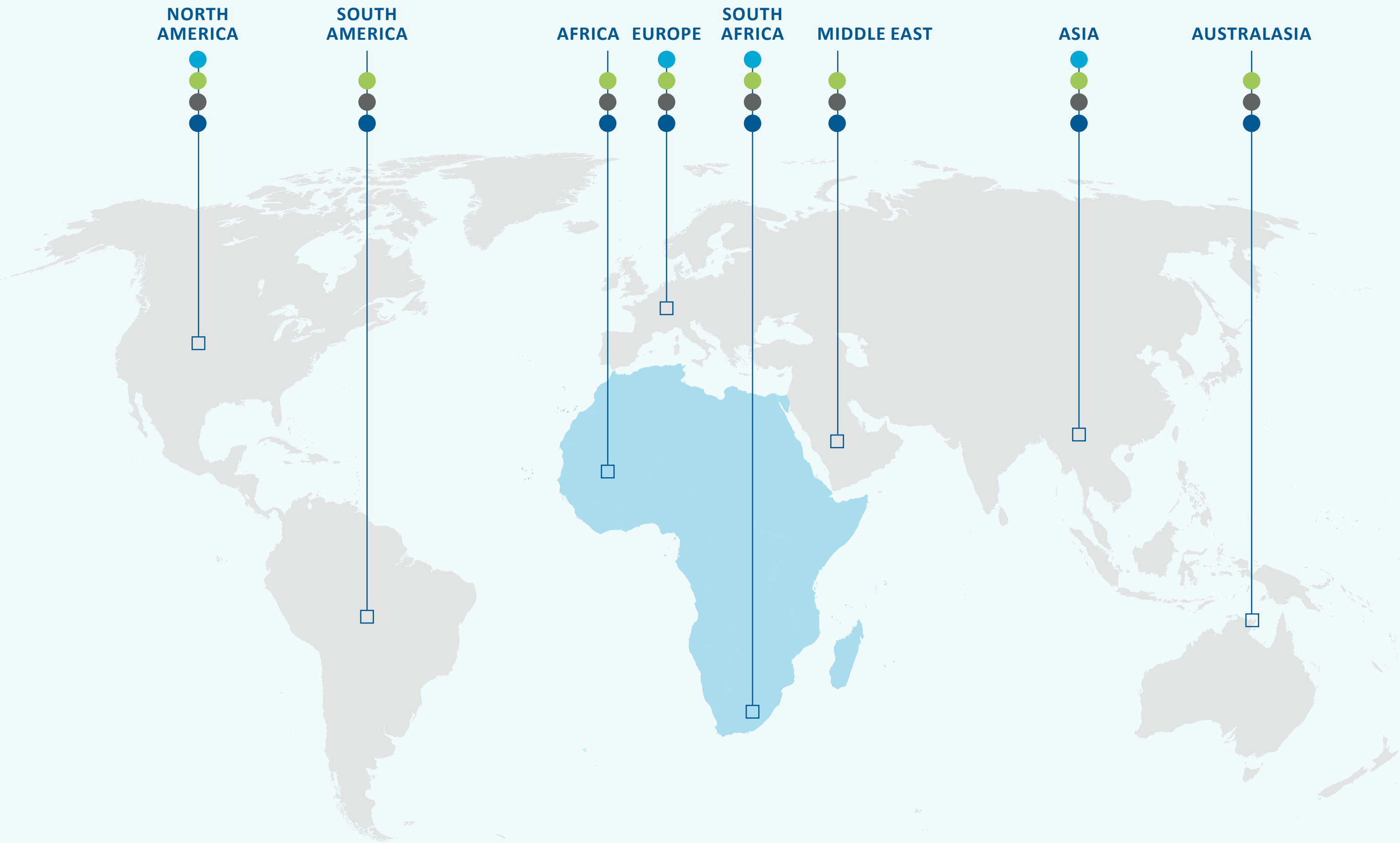
Isizinda Aluminium

Principal activity

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

Key Strategic Focus Areas

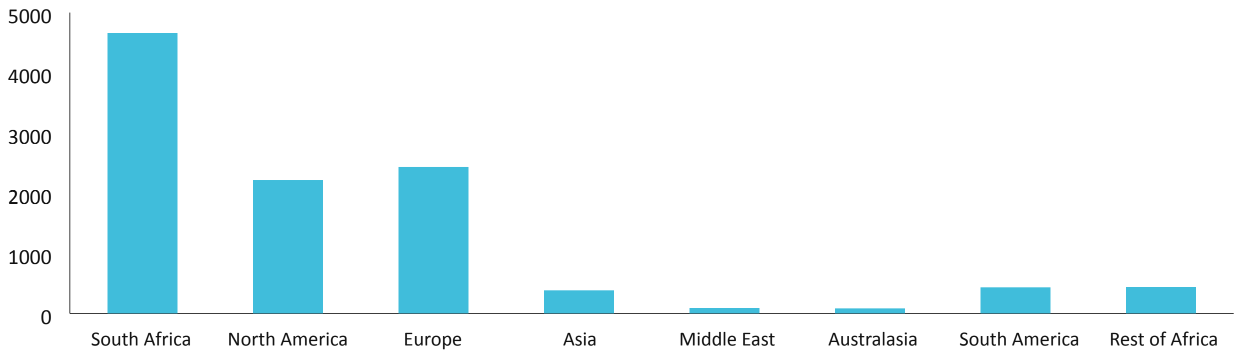
- Cost competitiveness
- Security of liquid metal supply
- Developing the aluminium hub in Richards Bay



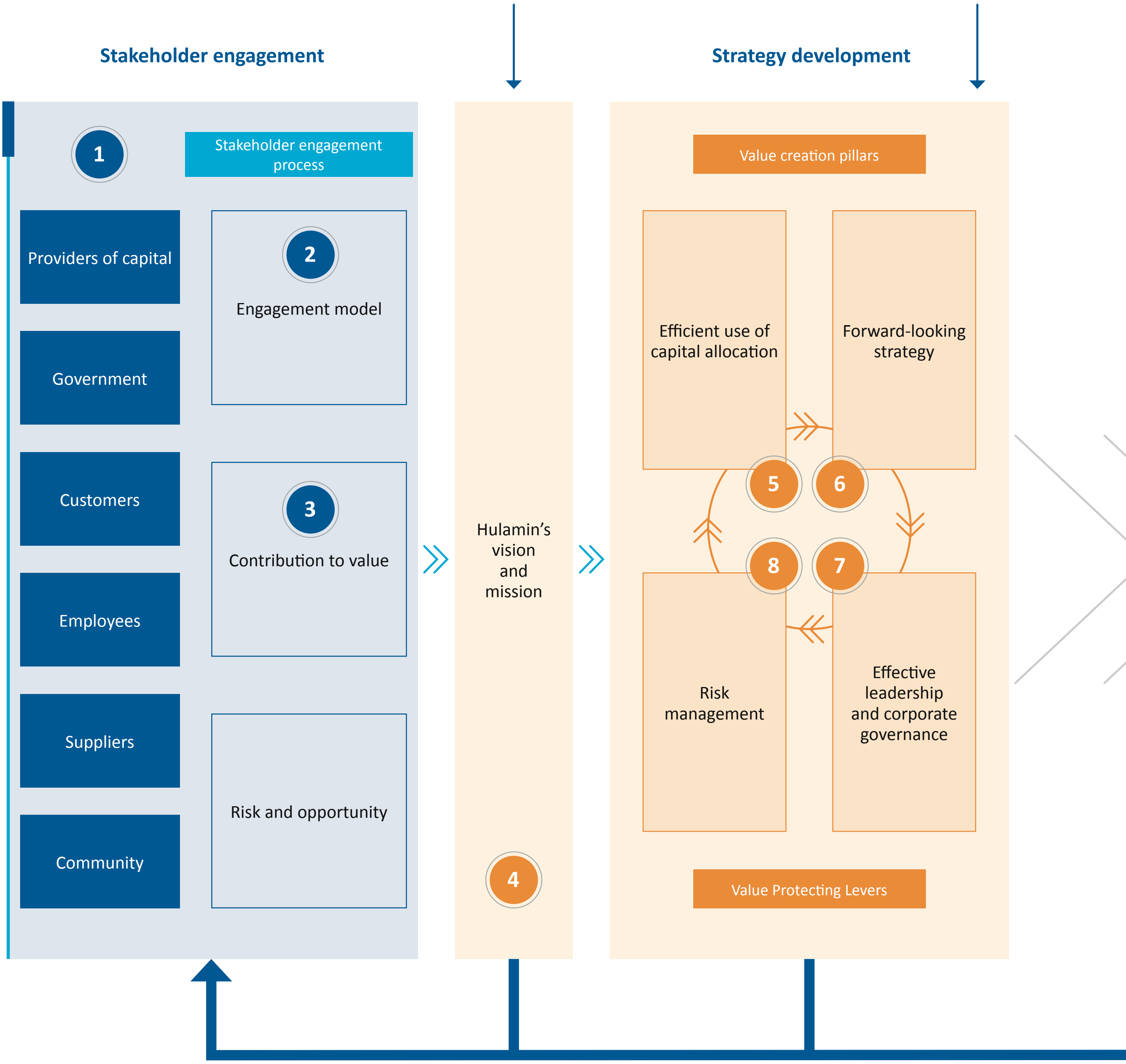
Our products are used by downstream fabricators in a variety of industries, namely:

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

GEOGRAPHICAL ANALYSIS OF REVENUE
(Rm)



INTEGRATED THINKING



1 Our stakeholders: Our key stakeholders are our shareholders and providers of capital, customers, suppliers, community, employees and government.

2 Engagement model on pages 24 to 25.

3 Contribution to value on pages 24 to 25.

Hulamin's vision and mission supports Hulamin's strategic positioning to provide value for our stakeholders.

4 Hulamin's vision and mission on page 7.

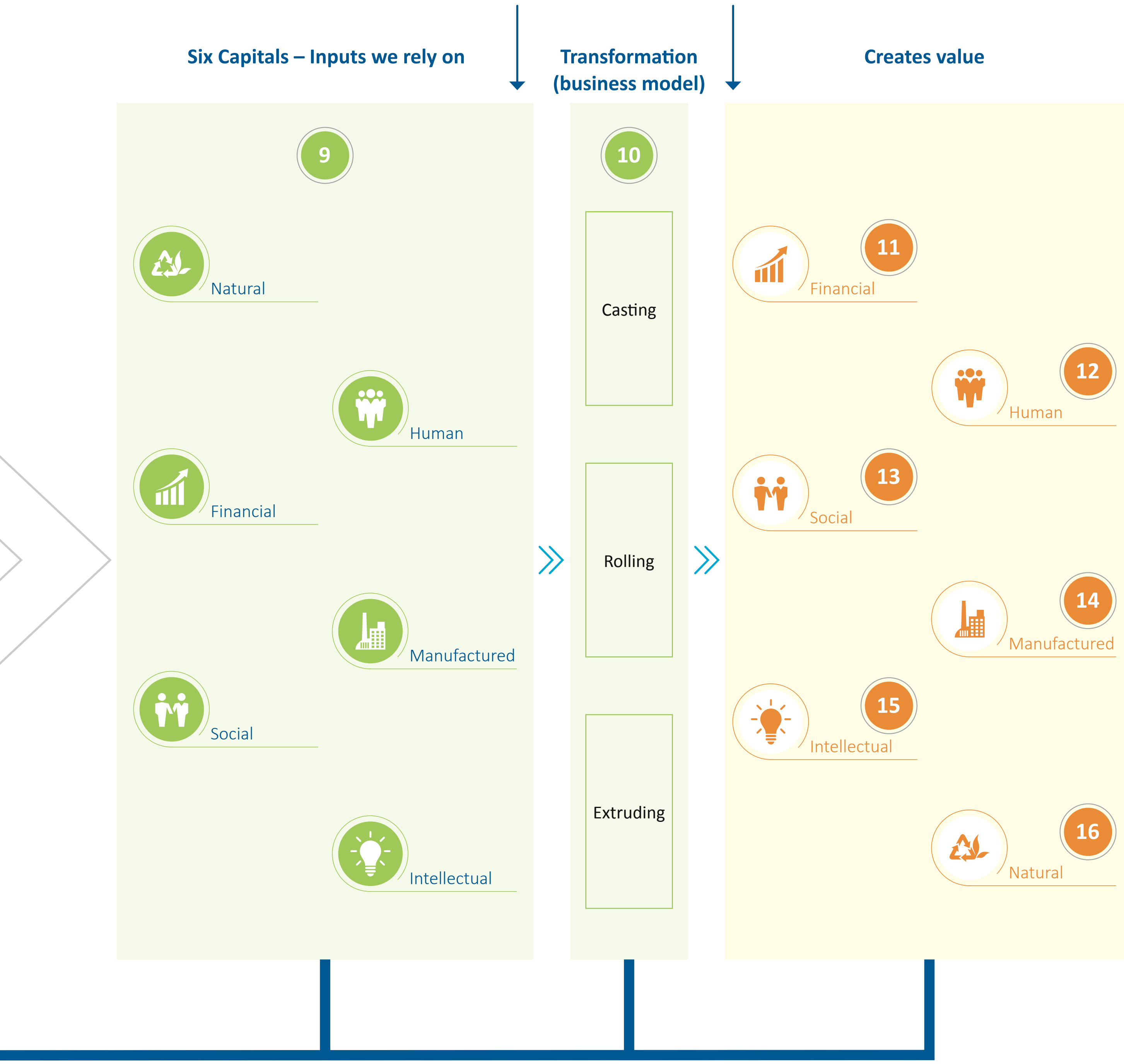
Strategy development has two pillars, value-creation and value-protecting. These pillars work together to provide:

5 Efficient use of capital allocation on page 78.

6 Forward-looking strategy on pages 34 to 36.

7 Effective leadership on pages 30 to 32 and corporate governance on page 81.

8 Risk management on pages 48 to 57.



Six Capitals – Inputs we rely on

9 Six Capitals Hulamin's strategy relies on page 22.

Transformation (business model)

10 Hulamin's business model on page 22 to 23.

Value creation

11 Financial value creation on page 40.
12 Human capital value creation on page 66.
13 Social and relationship value creation on page 58.
14 Manufactured capital value creation on page 70.
15 Intellectual capital value creation on page 72.
16 Natural capital value creation on page 74.

HULAMIN’S CIRCLE OF SYNERGY

As an African based aluminium semi-fabricator, and the only major aluminium rolling operation in sub-Saharan Africa, Hulamin has the unique opportunity to drive sustainable value to all its stakeholders.

Hulamin’s reinforcing “Circle of Synergy” lies at the heart of our vision to drive value to all stakeholders, whilst contributing to a better, more inclusive world. The Circle of Synergy illustrates our commitment to our customers, employees, the community and the environment.

Key pillars of our vision

1. Sustainable and innovative products

We support the production of sustainable and innovative products, unlocking the powerful properties of aluminium for a variety of applications that advance our world sustainably. Our strategic focus is on supporting sustainable advancements in cans (packaging) and cars (automotive, transport, green tech/battery).

2. African industrialisation and digitalisation

We support economic growth in South Africa and Africa.

A strong upstream industry supports downstream industrial investment and growth.

3. African innovation

We support skills development and the advancement of research and innovation and technological development in the region through investment in employees, supply chain and research and innovation.

4. Transformation

We support poverty alleviation, reducing inequality and enhancing inclusivity through a transformation focus in the areas of, inter alia, supply chain, enterprise development, employment equity and CSI.

5. Sustainable production

We encourage and advance sustainable production by:

- Increasing recycled content (which also advances job creation through the closed-loop system);
- Providing viable alternatives to non-sustainable materials; and
- Focusing on reducing water and energy use.

6. Financial returns

We generate sustainable growth and return on investment for our providers of capital.

OUR COMMITMENT TO THE SUSTAINABILTY DEVELOPMENT

The world in the 21st century is one of constant change and growing uncertainty. Economically, socially and culturally businesses are expected to employ sustainability strategies to meet the needs of future generations.

The National Development Plan 2030 (NDP) aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and the reduction of inequality. The NDP is aligned with the United Nation's Sustainable Development Goals (SDGs) and the 2063 Africa Agenda, which promotes sustainability for all. Hulamin's Circle of Synergy embraces the SDG and NDP frameworks, as shown in the table below:

THE BUSINESS IN CONTEXT

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.

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.

ALUMINIUM JOURNEY AND KEY MILESTONES IN HULAMIN'S HISTORY

2015
Hulamin and a strategic partner form Isizinda Aluminium. Together complete the acquisition of the Bayside casthouse

2007
Unbundled from Tongaat Hulett, changes its name to Hulamin Ltd, listed on Johannesburg Stock Exchange

1996
The Industrial Development Corporation of SA becomes 30% shareholder

1996
Alcan sells its remaining holding in Hulett Aluminium, which becomes a wholly-owned subsidiary of Tongaat Hulett Pty Ltd

A $0.55 billion rolled products expansion project was approved

1974
The Huletts Corporation acquires a controlling interest to form Huletts Aluminium

1949
Hulamin Pietermaritzburg manufacturing site established

1947
Reynolds Wrap aluminium foil hits the shelves

1940
Hulamin is founded

1935
Aluminium Limited of Canada (Alcan) opened a sales office in South Africa

1914
Aluminium demand soars during World War I

1888
Hall and his partners form what is now the Aluminium Company of America (Alcoa)

1886
Charles Martin Hall and Paul LT Heroult both use electrolysis to produce aluminium

1825
Hans Christian Oersted produces the first aluminium

1746
Johann Heinrich Pott prepares alumina from alum

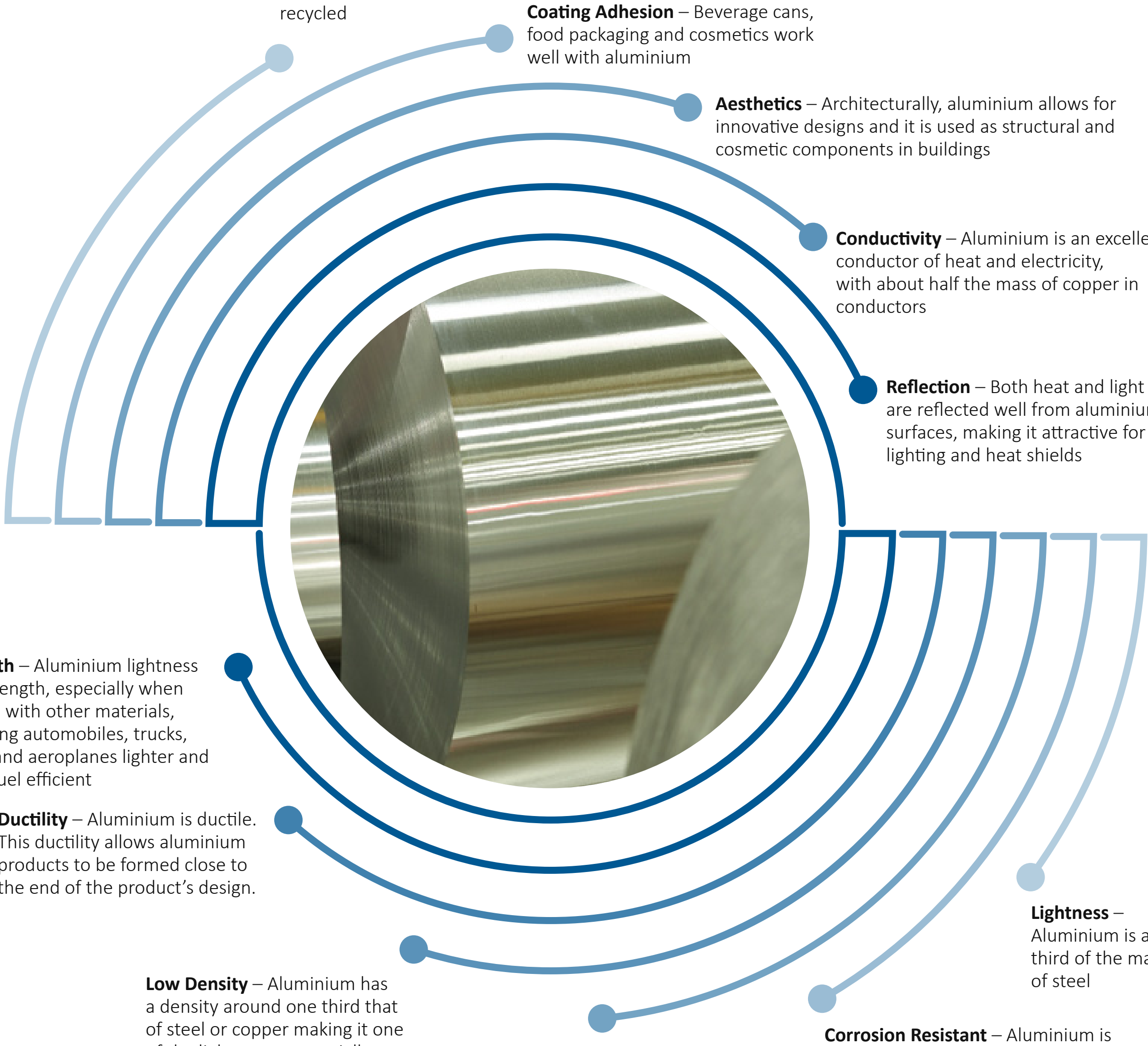
WHAT IS ALUMINIUM?

Aluminium is a metallic chemical element (Al) on the periodic table and is the third most abundant element on earth. Although abundant, making up more than 8% of the earth's crust by mass, pure aluminium metal is very rare in native form and is found as a compound.

Aluminium remains one of the most versatile materials available, and is used in everything from kitchen foil and cans to car parts and aircrafts. 2019 African production remained steady at 1.64 million tonnes, whilst 2019 global production was in excess of 63.7 million tonnes.

WHY IS ALUMINIUM VALUABLE?

Aluminium is considered as the material of the future due to its unique properties as listed below:



FUTURE DEMAND FOR ALUMINIUM

Think future. Think aluminum.

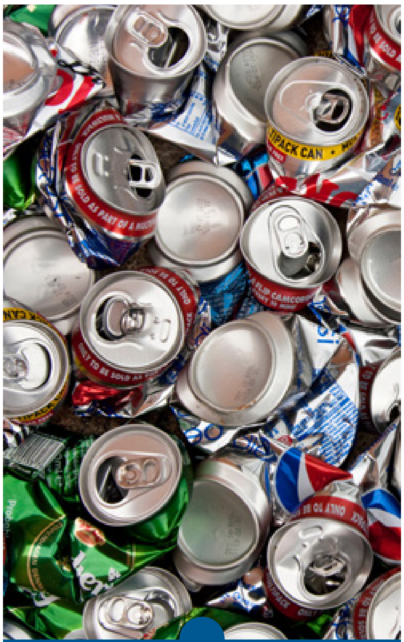
Global demand for primary aluminium is expected to remain positive with forecast demand expected to reach 107.8 million tonnes by 2050. Growth drivers are expected to be in the following strategic applications:

Cars

Packaging

Building and Construction

Central to aluminium production will be the following drivers:



Recycling

Aluminium can be recycled endlessly without loss of its properties. 60% of aluminium in use is recycled

Green Technology

Total CO_2 emissions from primary production are predicted to fall by 60 - 70% by 2050 compared to 2014 figures

Innovation and Digitalisation

Advancement in digital technology is disrupting the traditional business models and redefining the way business is to be done in order to compete and survive in future

THE ALUMINIUM VALUE CHAIN

PRIMARY aluminium production

1

2

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

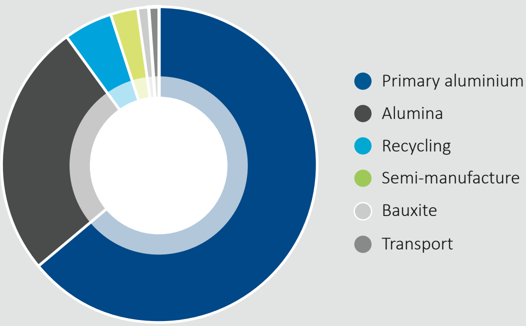
The production of primary aluminium takes place in the smelting process that refines alumina into aluminium. As the aluminium atom in alumina is bonded to oxygen, these bonds have to be broken by electrolysis to produce aluminium metal. This requires huge amounts of energy.

Liquid aluminium is then drawn from this process and cast into ingots and billets for further processing.

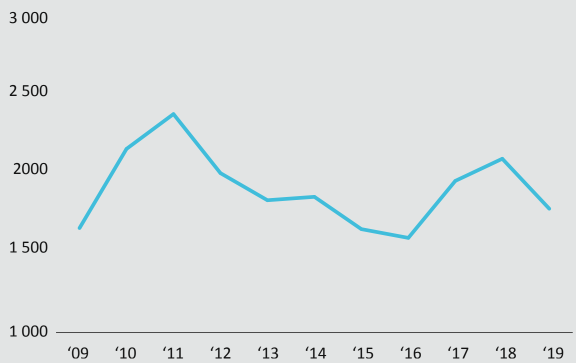
Aluminium is a global commodity traded on the London Metal Exchange (LME). The price fluctuates according to global supply and demand.

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 8% 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

3

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.

4

Semi-fabrication of aluminium

Rolling

Aluminium is ductile and can be processed in a cold and hot condition. 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.

Extruding

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

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.

6

Recycling

- Aluminium can be easily recycled, whilst keeping its distinctive properties, and can be endlessly recycled without any loss in quality (secondary aluminium production).
- Only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses
- The world's stock of aluminium in use is like a resource bank.

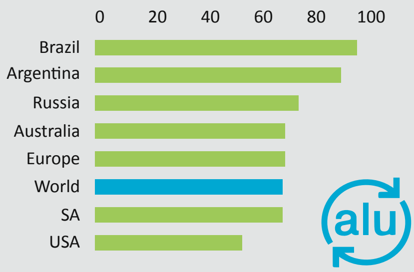
5

Manufacturing and use

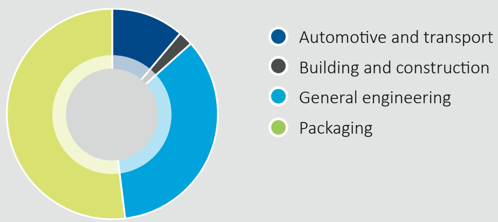
Aluminium fabricated products are used throughout the world and throughout many different sectors. In developed countries, the demand for aluminium comes mostly from the rapidly growing transport industry, which is driven by an expanding auto market. Mature countries typically use more aluminium in light vehicle production. Due to its low weight, aluminium makes cars more energy efficient.

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

PROPORTION OF RECYCLED ALUMINIUM TO TOTAL CONSUMPTION

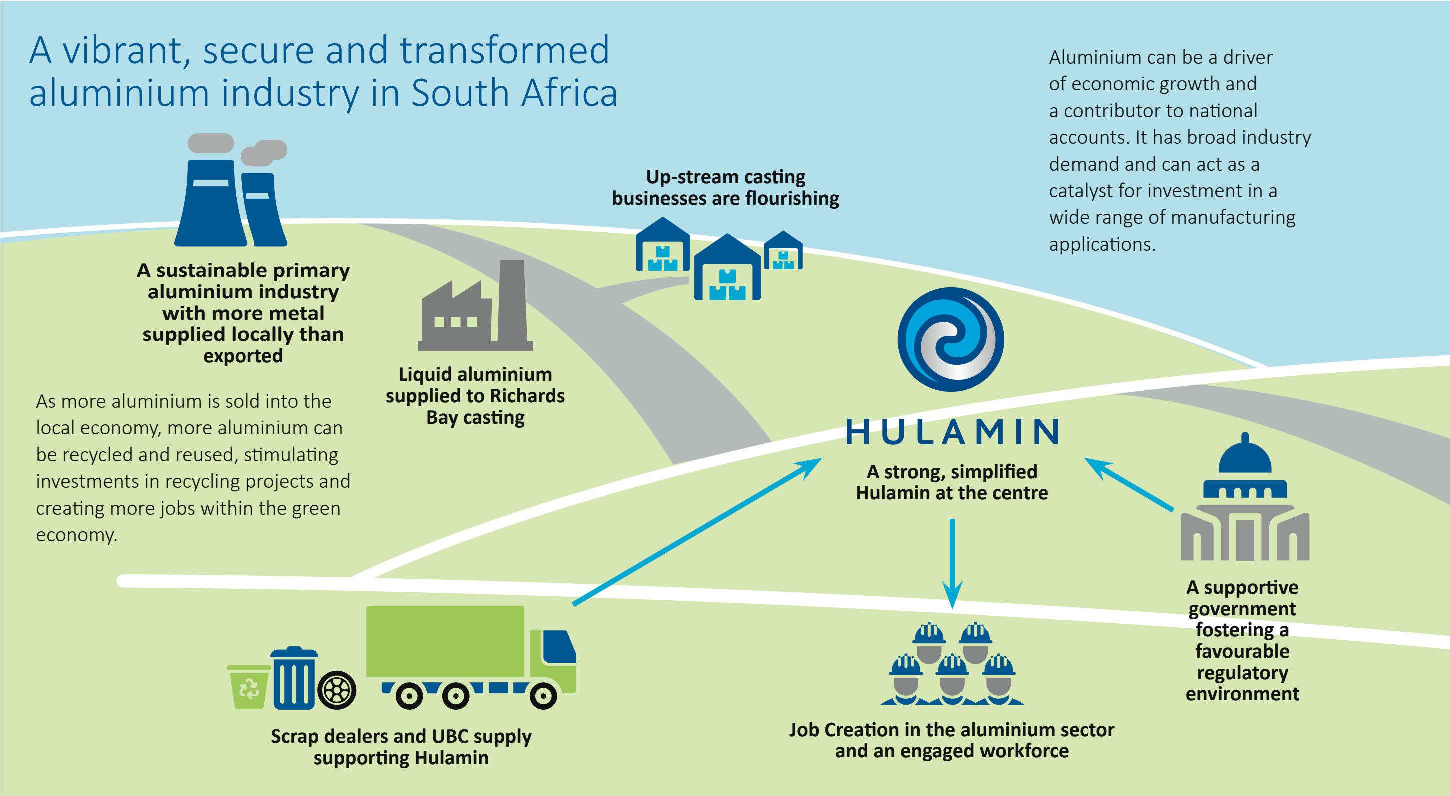


HULAMIN 2019
REVENUE BY PRODUCT MARKET
(Rm)



THE ROLE OF HULAMIN AND SOUTH AFRICA IN THE ALUMINIUM VALUE CHAIN

Aluminium is a driver of industrialisation, an enabler of innovation and a sustainable metal that is infinitely recyclable. Our vision for the South African aluminium industry is shown below, where Hulamin is an enabler of upstream and downstream businesses using aluminium as the material of choice. A circular economy is created using scrap from customers and scrap dealers which is bought and recycled by Hulamin.



South Africa's Economic Vision

To achieve the objectives set out in the National Development Plan (NDP) and the Industrial Policy Action Plan (IPAP) goals, the South African government aims to:

- Create jobs (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
- Improve environmental sustainability
- Drive growth in local downstream fabrication
- Drive transformation of the economy
- Develop the nation's human capital
- Improve South Africa's competitiveness
- Promote technological development
- Create industry success with a world-class aluminium supply package
- Create investment opportunities

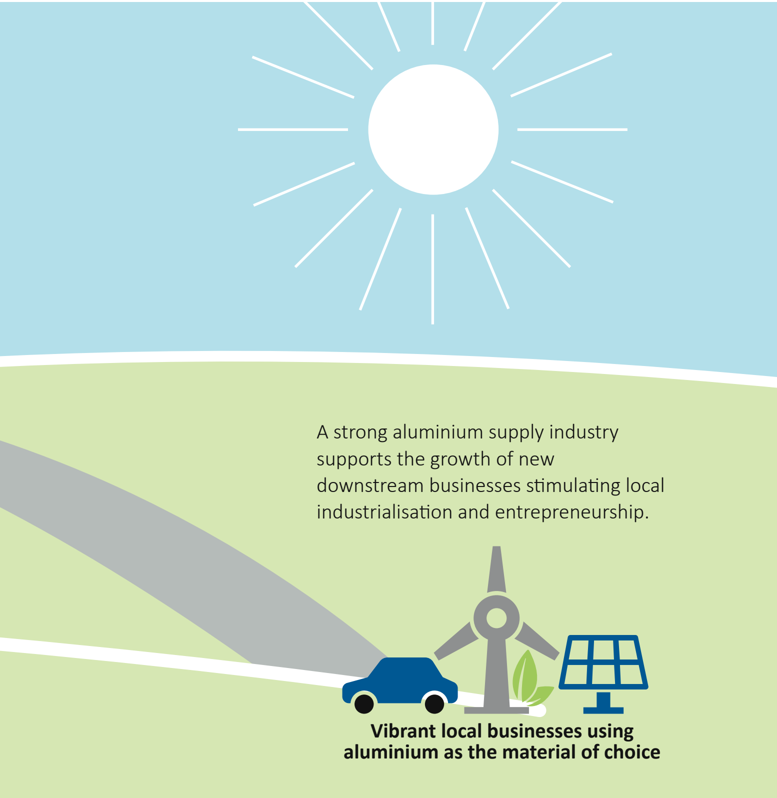
Hulamin's Role in Developing the Local Economy

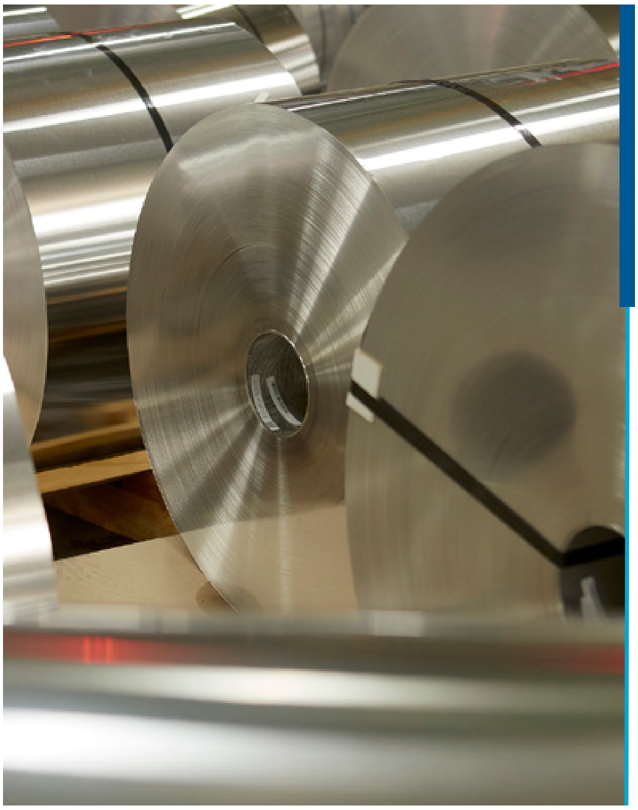
A creator of economic value and human capital developer

- Hulamin contributes to national current accounts through the exportation of semi-fabricated aluminium
- We provide 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 in South Africa

Major contributor in the South African aluminium value chain

- We are the largest supplier of aluminium raw materials to the South African manufacturing industry
- We promote the development and innovation in aluminium technology and use
- As a strategic asset to South Africa, we assist in promoting and driving 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, and 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 and B-BBEE
- We support our economy by procuring the majority of our goods and services locally
- We believe that 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
- Our development of aluminium products supports downstream industries and is 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

BUSINESS MODEL

CAPITAL INPUTS

Financial Capital

The group requires funding for day-to-day and expansionary activities in order to generate value for all stakeholders. Funding is received from:

Shareholders: The group's largest investor is the Industrial Development Corporation, holding 29,6% of issued share capital; and

Providers of debt capital: During 2019, the group obtained a three-year revolving working capital facility of R1.0 billion, secured against receivables and inventory, and a 360-day general borrowing facility of R500 million.

Manufactured Capital

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

Extrusions: An extrusions plant, including die manufacturing, anodising and fabrication.

Remelt and Casting: Hulamin owns three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace. The Bayside cast house owned by Isizinda produces one-third of Hulamin's requirements of rolling slab.

Natural Capital

Hulamin relies on energy (LPG, CNG and electricity) and water to transform primary aluminium into semi-fabricated and fabricated products.

Human Capital

The Group employs over 1 700 people across all its business units.

Intellectual Capital

The group's state-of-the-art technical equipment and demanding products require specialised engineering, metallurgical and manufacturing experience, competencies and capabilities, supported by knowledge management, machine-learning and technical consultants.

Social Capital

Government

Government provides support to the aluminum industry through incentives and assistance with the downstream development of the aluminium value chain.

Suppliers

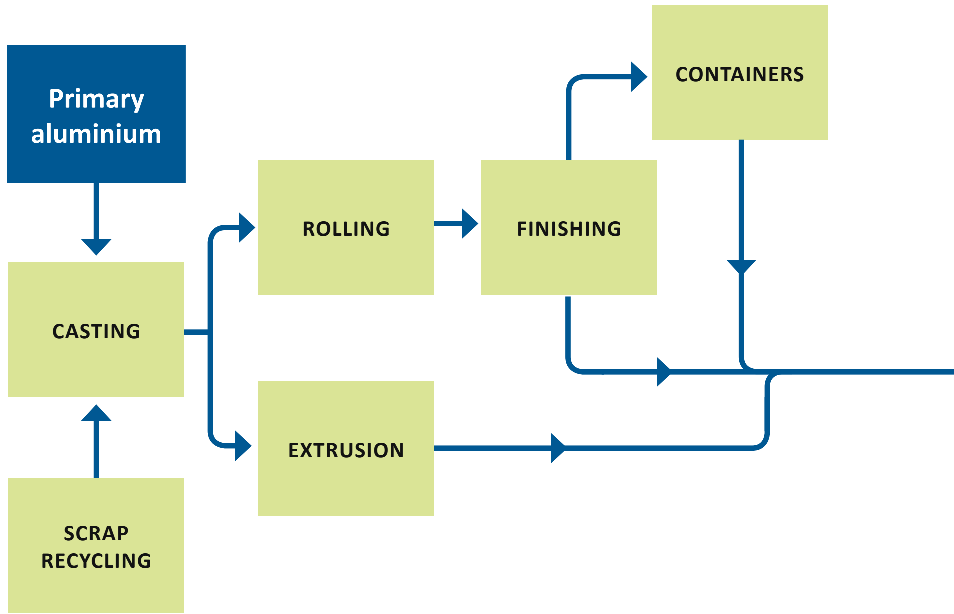
Strong relationships with suppliers ensure that the group is able to secure the long-term supply of key inputs into the manufacturing process.

Customers and markets

Relationships with customers are key in developing new products and innovation.

WHAT WE DO

Hulamin transforms primary aluminium and recycled scrap 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 Isizinda Aluminium. Two-thirds of Hulamin Extrusion's extrusion billet requirements are imported. Aluminium slab and billet are the feedstock for the rolling and extruding processes respectively.

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. This is used in the building and automotive industry.

CONTAINERS PRODUCTS

Hulamin Containers is the preferred manufacturer and supplier of foil containers and related products in South Africa and abroad.

MARKET FOCUS AND REVENUE MODEL

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 fee as compensation for the costs of rolling, extruding and finishing its various products.

HULAMIN MARKETS AND PRODUCTS

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

EXTRUSIONS

Used in a variety of applications such as suspension and drive train components, running boards, and impact protection components

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

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

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 air conditioning systems

EXTRUSIONS

Numerous applications and developing opportunities such as solar components

OUTCOMES AND CAPITAL TRANSFORMATION

Financial Capital

Equity: Equity capital book value R2.5 billion with a current market value of R0.4 billion. This indicator of impairment has been assessed on page 135 of the report. Retained earnings for the current year have decreased by R1.2 billion.
No dividends declared in 2019.

Borrowings
Net debt: R272 million
Net interest cost: R55 million
Cash generation
Net cash inflows from operating activities: R533 million

Manufactured Capital

Our manufactured capital is subjected to wear-and-tear as finished goods are produced for sale to our customers to their quality specifications. Asset management and maintenance programmes are implemented to preserve the operating capacity and capability of our operations, resulting in a trade-off between manufactured and financial capital.

Production:
Rolled Products: 206 000 tons
Extrusions: 13 000 tons
Additions:
Rolled Products: R280 million
Extrusions: R31 million
Maintenance: R306 million
Depreciation: R136 million

Natural Capital

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

	2019	2018
Carbon footprint (CO^2e/MT)	**1.73**	1.56
Electricity consumption (KWh/MT)	**1 203**	1 172
Gas consumption (GJ)	**8.13**	7.53
Water consumption (Kℓ/MT)	**2.96**	2.52

Human Capital

Employee's competencies and capabilities are used in operating manufactured capital to produce finished goods for sale to our customers. Where required employees are provided with various self-development opportunities through the talent management and development programme, financial assistance for academic studies and an employee wellness programme. During the current financial year the group has shared R1.2 billion in value with employees through guaranteed and variable remuneration structures.

Intellectual Capital

R40 million of training in process engineering, shop floor skills, and engineering skills.

Social Capital

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

STAKEHOLDER ENGAGEMENT

GOVERNMENT

Who they are and how they contribute to value

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

How we have engaged

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

Issues raised

Continual and responsible contribution to regional development through:

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

Strategic response

- Development of the Richards Bay hub to facilitate downstream development.
- Recycling initiatives to create employment opportunities and reduce energy consumption.
- The development of the Aluminium Beneficiation Initiative to identify and develop black entrepreneurs.
- Enterprise and supplier development programme to develop small, local, black owned enterprises into larger, more sustainable businesses that can participate more meaningfully in the local economy.

PROVIDERS OF FINANCIAL CAPITAL

Who they are and how they contribute to value

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

How we have engaged

- Road shows and regular presentations.

Issues raised

Sustainable growth and return on investment through:

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

Strategic response

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

CUSTOMERS

Who they are and how they contribute to value

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

How we have engaged

- Meetings and site visits.

Issues raised

Reliable service, good quality products and competitive prices through:

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

Strategic response

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

SUPPLIERS

Who they are and how they contribute to value

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

How we have engaged

- Meetings and site visits
- Performance audits and reports.

Issues raised

Continued growth of operations and relationships through:

- Long-term supply contracts;
- Efficient payment cycles;
- Joint improvement projects to reduce cost and improve efficiencies; and
- Joint initiatives to drive transformation in the supply chain.

Strategic response

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

EMPLOYEES

Who they are and how they contribute to value

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

How we have engaged

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

Issues raised

Provision of gainful and safe employment through:

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

Strategic response

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

COMMUNITIES

Who they are and how they contribute to value

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

How we have engaged

- Public meetings
- Community outreach programmes

Issues raised

Responsive contribution to community interest and needs through:

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

Strategic response

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

THE OPERATING ENVIRONMENT

Our business does not exist in isolation. As we compete in the global aluminium market (more than 60% of our goods are exported), we are exposed to market forces and developments beyond our borders. In this context, it is important that we understand:

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

The analysis below, provides some insight into the key externalities that impacted the business in 2019.

1. South African aluminium industry

Issues	**Energy:** There is an inconsistent supply of energy, with cost increasing above inflation. **Local smelter:** Stable supply of local primary aluminium.
Drivers	**Electricity supply:** Electricity supply constraints remained a challenge in 2019. The inability of the local energy supplier Eskom to reduce and contain internal costs, and to minimise the pass-on to customers of the cost of new infrastructure, is creating the potential for high energy prices in the future. **Gas supply:** The commitment from relevant stakeholders to invest in a gas-pipeline to secure consistent, reliable and cost-effective supply to the Pietermaritzburg region has not been immediately forthcoming. **Local smelter:** Lower LME (London Metal Exchange) aluminium prices negatively impacted the local South 32 aluminium smelter. South32 has agreed a new long-term electricity deal with Eskom and awaits regulatory approval.
Implications	**Electricity supply:** Exorbitant energy price increases are having a negative impact on global cost competitiveness, which is eroding the margins earned and ultimately negatively affecting shareholder returns. Should energy supply remain inconsistent benchmark operational performance is unlikely to be achieved. **Gas supply:** The consistency of gas supply has a direct impact on the achievement of benchmark operational performance. **Local smelter:** South 32 are expected to secure a new long-term energy supply deal in the coming months, however, until this is finalised, uncertainty still exists.
Strategic approach	**Electricity supply:** The group has engaged, via the Energy Intensive Users Group (EIUG), with NERSA (National Energy Regular of South Africa) for reasonable price increases, in order to limit the erosion of margins and to remain competitive within the global environment. Hulamin's demand reduction operating plan is being implemented through a range of energy efficiency projects to reduce the internal consumption of energy. **Gas supply:** The group has diversified gas supply by converting certain lines to CNG (compressed natural gas) as an alternative source of energy. Discussions with a variety of stakeholders to secure a gas pipeline to the Pietermaritzburg region are ongoing. **Local smelter:** There is ongoing engagement with South 32 and key stakeholders to promote the growth of the South African aluminium industry and casting in Richards Bay. The use of aluminium scrap has been increased.

2. The South African economic and political environment

Issues	Domestic macroeconomic instability, low economic growth, rising public debt and unemployment. Weaker and volatile domestic currency.
Drivers	Despite the government's investment in economic reforms, these have not been sufficient to deal with some of the country's structural problems: the inefficiencies and poor financial state of state-owned enterprises, especially Eskom, the declining state of infrastructure and services, and reduced corporate and foreign investment. This has been exacerbated by the impacts of COVID-19, which is accelerating a synchronised global economic slowdown.
Implications	A weaker rand had a positive impact on the group's earnings before interest and tax in the short-term but have also negatively impacted currency sensitive costs, particularly materials. However, demand for Hulamin's products, particularly in the domestic market, and in sectors such as automotive, has come under increased pressure.
Strategic approach	The group completed a turnaround plan during the second half of 2019 in order to improve its resilience through lowering its cost base, exiting underperforming capacity, and reducing the market channel concentration risk in the USA. The group has focused on improving working capital efficiencies primarily through reductions in its cash cycle.

3. Regional market development

Issues	Demand growth in the local market is low and competition from low cost country imports is increasing.
Drivers	Low economic growth and constrained local market demand for aluminium semi-fabricated products. Nationally, a reduced investment in and failure of key infrastructure in ports, roads, energy and water has impacted on economic growth. Declining global growth, particularly in sectors such as automotive. Increasing protectionist policies and global competition has seen increasing levels of imports of semi-fabricated aluminium in South Africa.
Implications	Low domestic market demand has negatively affected the group's sales in the local market which, combined with a softer automotive market and more volatile and competitive global market, has had negative consequences on the group's revenue and profitability.
Strategic approach	The group continues to promote its value proposition in South Africa. Hulamin has applied for import duty on rolled products supplied into South Africa and awaits the outcome of this application. Additional export opportunities, particularly in can stock have been developed.

4. The global aluminium semi-fabrication market

Issues	**Market share:** Increased supply combined with weak demand has driven competition in global and local markets. **Trade policies:** Trade protectionism is increasing in key markets with many countries imposing or increasing import duties on aluminium rolled products.
Drivers	**Market share:** Global oversupply of aluminium semi-fabrication products driven largely by continued capacity investments in China. Investment in capacity exceeds demand growth leading to flat forecast utilisation rates over the long-term horizon. **Trade policies:** There is growing trend in protectionist trade policies around the world to support local manufacturing industries. **Downturn in global economies:** In 2019, the US protectionist policies continued to have a negative impact on economic sentiment. Brexit uncertainty and trade concerns have hampered economic growth in the EU.
Implications	**Market share:** Hulamin has been unable to fully sell its capacity in 2019. Given the high proportion of fixed costs in the business, lower volumes resulted in substantially higher unit costs. Conversion prices in key product categories also declined in US-dollar terms due to increased competition, resulting in an additional margin squeeze. **Trade policies:** The group may gain an advantage over Chinese competitors for supply into certain export markets, however the group also faces pressure in the local market and the EU from low-cost imports from China. **Downturn in global economics:** The implication for Hulamin has been lower sales volumes and reduced margins as lower demand combined with global over-supply has resulted in increased competition.
Strategic approach	**Market share:** Continue to develop local and regional sales, including the promotion of local OEM type products. The group continues to increase volumes of key end user products such as can stock through various capacity improvement initiatives, has re-established direct sales channels in the US market to regain market share, and continues to focus on niche positioning in current high value products. **Trade policies:** The group continues to focus on opportunities in export markets created by changes in relative trading conditions.

5. The global primary aluminium industry

Issues	Excess global capacity has placed pressure on marginal aluminium smelters due to lower prevailing aluminium prices, which is forecast to continue for the next few years.
Drivers	**Capacity in China:** Global capacity is impacted by excess capacity in China which results in supply exceeding demand, tempering the LME aluminium price over the next few years. **Geographic premiums:** Low metal premiums have persisted since mid-2015 and have placed additional pressure on marginal smelters.
Implications	A declining LME aluminium price has improved the competitiveness of aluminium semi-fabricated products and stable, relatively low, metal premiums provided stability in input costs and margins for rolled products producers. Shifting global trade dynamics have increased uncertainty. 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. However, the recent duty investigation in the US on all importers of common alloy has increased uncertainty and volatility.
Strategic approach	The group will seek to grow its current proportion of high value products in the overall product mix to bolster margins and profitability. The development of new, higher value products will further be bolstered by increased focused investment in finishing capability and by maintaining a strong relationship with the group's current technology partners, consultants, industry experts and academic institutions.

SCENARIO ANALYSIS

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

The Methodology

Our scenario planning methodology is embedded in the risk management process and works to align business planning, budgeting, strategy development and strategy execution.

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

Short-term scenarios

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

Long-term scenarios

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

The medium-term scenario analysis

Using the methodology mentioned above, the Executive Committee undertook a situational analysis to determine possible scenarios that could form the basis of Hulamin's external environment in the medium-term. For each identified scenario the Executive Committee developed strategic options. As a Group, we actively monitor how the future is unfolding to assess which scenario, or combination of scenarios, is becoming increasingly likely and how Hulamin can influence the outcome of each scenario for the benefit of all stakeholders.

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

SCENARIO 3

MOST FAVOURED NATION

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

SCENARIO 1

THE BEST OF TIMES

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

GOVERNMENT IMPACT ON DIFFERENTIAL ACCESS TO MARKETS

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

SA ECONOMY & MANUFACTURING SECTOR PERPERFORMANCE

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

SCENARIO 4

THINGS FALL APART

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

SCENARIO 2

PROUDLY AFRICAN

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

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

What this looks like in 2019 and 2020

The threats and opportunities listed below had the most material impact on the outcomes of the business in the 2019 financial year and have continued to shape our short-term strategy for 2020.

THREAT: Global over-supply of aluminium rolled products.

THREAT: Stagnant local market demand for extruded products accompanied by increased Chinese imports.

THREAT: Product, market and customer concentration risk.

THREAT: Anti-dumping investigation on common alloy imports in USA.

THREAT: Low global and local demand growth.

THREAT: The impact of growing worldwide Covid pandemic on the national and international markets.

OPPORTUNITY: Global shift in sentiment and regulatory policies towards environmental sustainability and recycling. Aluminium is fully recyclable at lower energy inputs than those required for primary aluminium production.

The business plan that was drawn up in 2018 was informed by the strategic option developed for the "Most Favoured Nation" scenario. The world has changed significantly since then and we now find ourselves reporting back to stakeholders in the midst of substantial uncertainty as we navigate through the Covid-19 pandemic – a black swan event that we did not anticipate.

In 2019 Hulamin responded to the effects of challenging market conditions by implementing a turnaround plan that focused on cost reduction, working capital improvements and re-building the US export sales channels. These actions have served Hulamin well in being able manage through the current Covid-19 situation, where our ability to operate has been hampered, and customer demand has fallen in the local market in the short-term.

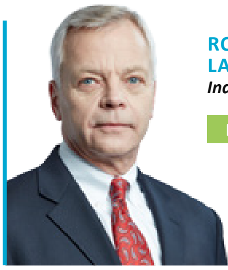
The turnaround plan is detailed on page 37 and the group's strategy is set out on pages 34 - 36.

STRATEGIC LEADERSHIP

03

BOARD OF DIRECTORS

THABO PATRICK LEEUW (56)
Chairman of the board
RC CC RN



ROBERT LENNART LARSON (64)
Independent non-executive
RC

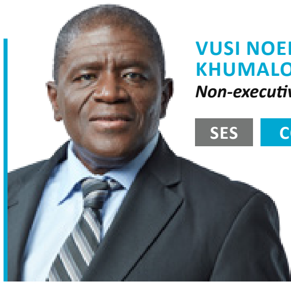
DR BONAKELE MEHLOMAKULU (47)
Independent non-executive
RC SES

GEOFFREY HAROLD WATSON (68)
Independent non-executive
RN RC CC

GCINA CECIL ZONDI (46)
Alternative non-executive

RICHARD GORDON JACOB (54)
Chief executive officer
RC SES

CHARLES ALEXANDER BOLES (50)
Independent non-executive
RN AC



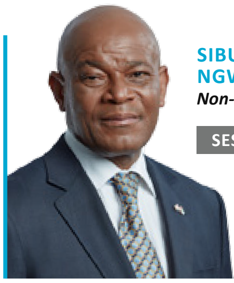
VUSI NOEL KHUMALO (57)
Non-executive
SES CC

ANTON PAUL KRULL (45)
Chief financial officer
RC

NARAN MAHARAJH (53)
Independent non-executive
AC RC CC

NOMGANDO MATYUMZA (56)
Independent non-executive
AC RN CC

MOSES ZAMANI MKHIZE (58)
MD: Hulamin Rolled Products
RC



SIBUSISO NGWENYA (66)
Non-executive
SES

PETER HEINZ STAUDE[1] (66)
Independent non-executive
RC

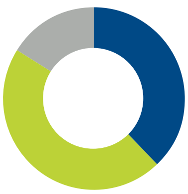
Committees

AC	Audit Committee
CC	Chairman's Committee
RN	Remuneration and Nomination Committee
RC	Risk Committee
SES	Social, Ethics and Sustainability Committee

[1] *Retired as a director with effect from 30 June 2019*

The Hulamin Group Board of Directors provides strategic leadership to the group with due regard to all stakeholders. The Board is diverse in demographics, skills and experience and consists of 54% independent non-executive directors, 23% non-executive directors and 23% executive directors.

Board demographics



White male	38%
ACI male	46%
ACI female	16%

ACI: African, Coloured and Indian

EXECUTIVE COMMITTEE

RICHARD GORDON JACOB (54)
Chief executive officer
Joined Hulamin in 1990

ANTON KRULL (45)
Chief financial officer
Joined Hulamin in 2008
Rejoined Hulamin in 2016

MOSES MKHIZE (58)
MD: Hulamin Rolled Products
Joined Hulamin in 1982

AYANDA MNGADI (45)
Corporate affairs
Joined Hulamin in 2016

CLAYTON FISHER (42)
Strategy and supply chain
Joined Hulamin in 2009

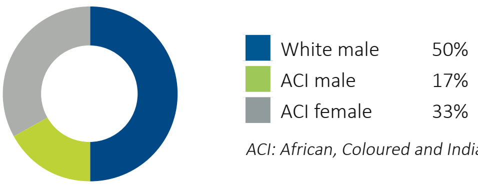
MARLENE JANNEKER (46)
Human capital
Joined Hulamin in 1995

DARRYL RAYMOND WEISZ (56)
MD: Hulamin Extrusions
Joined Hulamin in 2012[2]

[2] *Resigned as a director 4 July 2019*

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

Executive demographics



ACI: African, Coloured and Indian

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

Note: Ages quoted are at 31 December 2019.

Building new strategic capabilities is key to positioning Hulamin for growth

OUR LONG-TERM BUSINESS GOAL

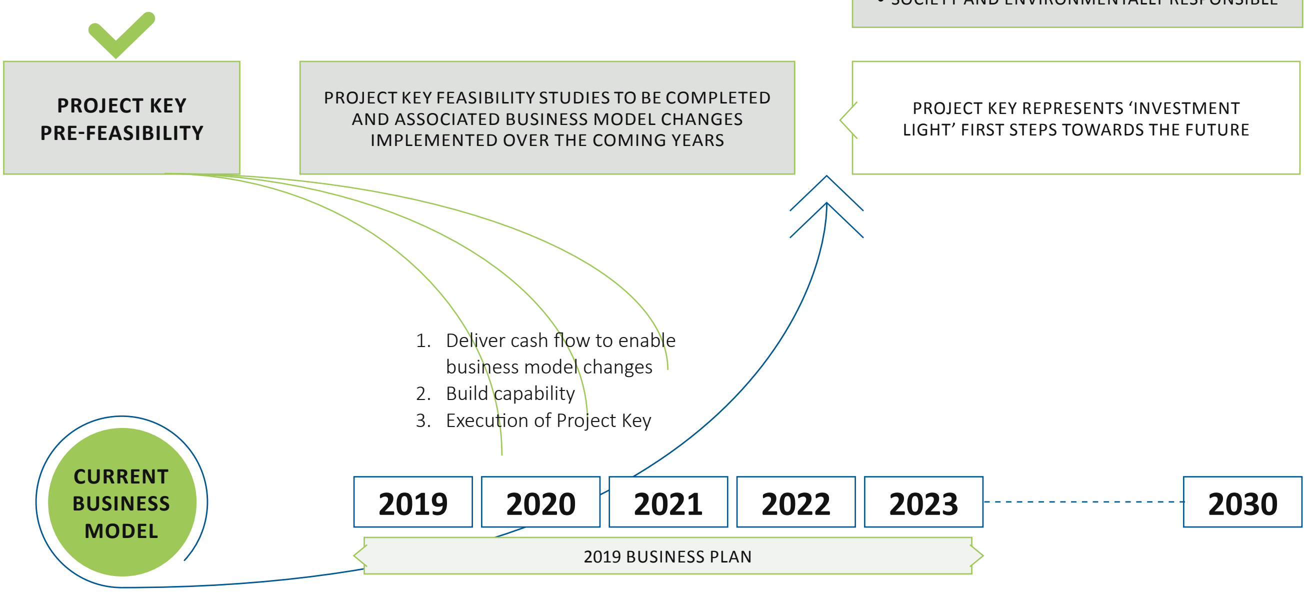
Our long-term business model changes are closely linked to our Vision Pillars as illustrated on pages 7 and 12. Specific growth areas targeted via “Project Key” are as follows:

1. Rolled products simplification and focus on “cans and cars”
2. Can stock sales growth through agency/technical service operation
3. Downstream integration into higher value fabrication
4. Expand manufacturing into Africa based on the availability of scrap

- *Hulamin’s business plan outlines the capability development and cash flow delivery plan over the next five years to successfully execute projects and drive towards the future business vision*
- *Building new strategic capabilities is key to position Hulamin for growth*

“VISION” NEW HULAMIN BUSINESS MODEL

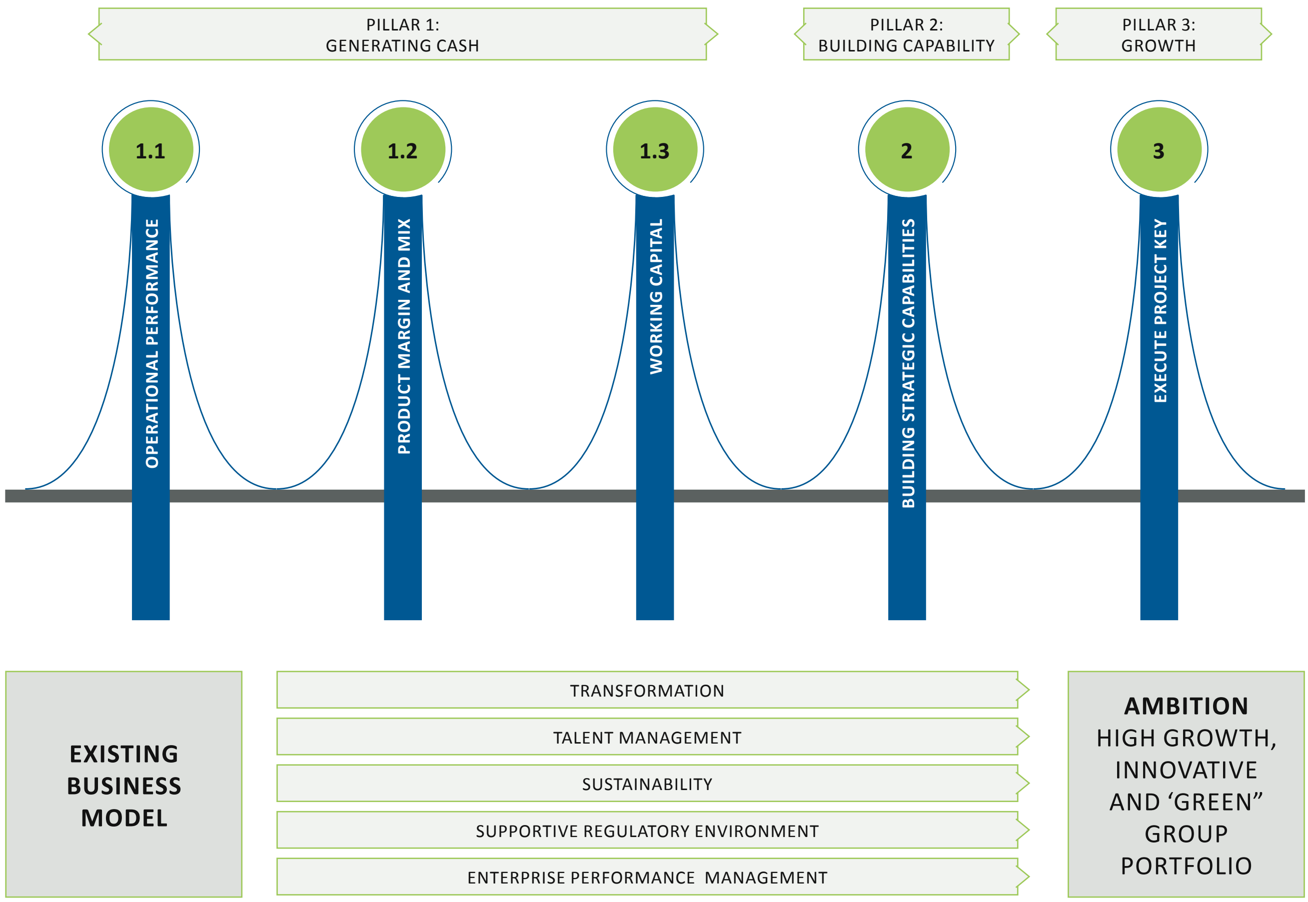
- HIGH TECH, END USER FOCUS
- DOWNSTREAM CAPACITY
- STRONG PRESENCE IN AFRICA – FACILITATING INDUSTRIALISATION
- KEY GLOBAL PARTNERSHIPS IN PLACE
- TRANSFORMED
- SOCIETY AND ENVIRONMENTALLY RESPONSIBLE



OUR STRATEGY

Our strategy is based on three strategic pillars and five key enablers. The strategic pillars reflect the pathway to growth through; (1) generating cash to earn the right to invest; (2) developing capabilities to succeed in new products/markets; and (3) investing in new business models (Project Key). The key enablers represent the most essential tools we need to successfully implement these pillars to create value for all stakeholders.

Due to the impact of adverse market conditions, the momentum developed over the past three years in free cash flow generation was disrupted in 2019 and continues to be placed under pressure with the onset of the Covid-19 pandemic. The 2020 focus thus relates to Pillar 1 of our strategy.



Strategic Pillars

Pillar 1:
Generate cash flow.

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

1. **Improve operational performance:**
   - Increasing sales volumes aligned to product mix enhancements;
   - Reducing costs;
   - Increasing scrap inputs; and
   - Mitigating operational risk
2. **Enhance product margins and the product mix**

   The group is currently implementing a rationalisation programme to reduce the production of unprofitable complex products, optimising the mix with increased volumes of higher margin products. A niche product focus will contribute to improving margins.
3. **Reduce investment in working capital**

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

Pillar 2:
Develop key capabilities for innovation and growth.

Business capability refers broadly to the ability of the group to deliver on its strategic objectives. Business capability consists of people, processes and systems that need to work in synergy to ensure successful delivery of Hulamin's longer-term vision under any unfolding scenario.

1. **Technology research and innovation**

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

   The group is investing in additional research and development capabilities to stimulate the development of innovative new products that will assist in improving margins and volumes in new growth segments.
3. **Digital transformation**

   Hulamin is undertaking a digitalisation strategy process that will seek to leverage emerging technologies that are collectively referred to as 'Industry 4.0'.

Pillar 3:
Grow the business via strategic business model changes.

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

- Product range simplification and a focus on niche, higher- value product types;
- Partnering with low-cost operators to supply sub- Saharan Africa and global markets in the beverage can and packaging segments, leveraging the Hulamin brand;
- Investment in downstream manufacturing capabilities to secure niche market segments;
- Harnessing the power of scrap metal to expand the manufacturing footprint into Africa; and
- Investing in the business of the future.

Key Enablers

1
Transformation.

Transformation is a key enabler to the business strategy. Hulamin is increasing its preferential procurement score and enterprise supplier development programmes as well as focusing on its skills development, employment equity and ownership objectives.

2
Talent management.

The Hulamin Talent Programme (H-TUP) journey provides Hulamin with an intimate knowledge of talent capabilities and gaps, enabling strategic talent decision making in a socio technology disrupted world where people and skills become the ultimate differentiator.

Hulamin is reshaping its approach to managing talent, through stimulating our leadership thinking and enabling our ability to utilise talent optimally as well as to extract more from our people.

3
Environmental sustainability.

Globally, corporates, consumers and governments are becoming more aware of and concerned with environmental sustainability and carbon footprint. This is causing rapid trend shifts globally towards "greener" technologies such as renewable energy sources, electric vehicles and recycling. Hulamin has established an Environmental Sustainability Committee to consider these various issues and has developed an environmental sustainability strategy and policy to address these various emerging requirements.

4
Supportive regulatory environment.

Strategic positioning of Hulamin as a brand, a strategic player and key partner in the Aluminium Value Chain in South Africa is a crucial requirement to compete in a globalised world. The development of a transformational Aluminium Agenda for the country as a key contributor to the GDP and a creator of sustainable jobs in and around local communities is core to our collaboration with DTI and government.

5
Enterprise performance management.

This is a key enabler to the execution of the business plan. The EPM programme is extended to support standardised process capability with information/ analytics at the core of EPM. The IT and Digitisation programme enables EPM and will be a key driver of medium-term cash flow delivery and long-term positioning to enable the "New Hulamin" vision execution.

2019 Turnaround Plan

In May 2019, a demand shock in Rolled Products arising from overstocking in the US market, and particularly in Hulamin's sales channel, combined with a machinery breakdown and deteriorating performance in Hulamin Extrusions, resulted in the board requesting a turnaround plan with the following objectives:

1. Restore the business profitability
2. Establish control over working capital
3. Lay the platform for achieving medium term cash generation
4. Stabilise and fill the US order build

This affected Hulamin Rolled Products, Extrusions, Containers and Isizinda. The key levers were:

Turnaround Levers	Description
Costs	• Manpower cost – The focus was on employee headcount and the utilisation of contractors and consultants. • Non-manpower cost – The focus was on reducing costs in various categories such as, energy, rolling oil, melt loss and logistics.
Sales and margins	Improve order book by executing a direct route to market strategy.
Working capital	A focus on receivables and inventory optimisation.
Extrusions rationalisation	After considerable evaluation of alternative business models for Hulamin Extrusions, there was a decision to rationalise the business by: • Closing the Olifantsfontein operation • Consolidating operations in Pietermaritzburg and focusing on a more strategic mix.

CHIEF EXECUTIVE OFFICER'S REVIEW

Group performance

Hulamin experienced particularly difficult trading conditions during 2019. Sales of rolled and extruded products experienced downward pressure in both local and international markets. Volumes declined by 11%, with Hulamin Rolled Products 10% lower and Hulamin Extrusions 16% lower. Although reasons for the volume decreases differ, these measurably negative impacts required business reviews of both operations.

We started implementing turnaround actions from August 2019 that resulted in significant cost savings throughout the group (around R400 million), with the closure and start of sale proceedings of the Olifantsfontein site, focused actions to restore volumes to both Hulamin Rolled products and Hulamin Extrusions, strict working capital management, and other operational improvement initiatives.

Together, these initiatives have resulted in annual savings of R250 million at Hulamin Rolled Products, and a further R150 million at Hulamin Extrusions.

In mid-2019, overstocking of the Hulamin Rolled Products' master distribution channel into the USA became apparent. This resulted in our distribution partner commencing a major destocking project, being driven by the requisite conversion of inventory into cash. As a result, the flow of production from Hulamin's Pietermaritzburg site into the USA customer base was disrupted.

Factors contributing to these channel blockages include a cyclical slowdown in the USA and North America, overstocking, and slowing automotive demand. It appears that the difficulties experienced by both Hulamin and its master distribution partner may result in Hulamin having to secure alternative channels into the USA aluminium rolled products market. However, underlying customer demand for Hulamin's products remains healthy, with end-user customers remaining eager to procure Hulamin's flat rolled aluminium products. Consequently, we have continued to sell into the USA market, albeit at a reduced rate and with less flexibility.

The historic master distribution partnership offered flexible, commercial and sales volume terms that suited the manufacturing optimisation of the Pietermaritzburg rolling operation. Hulamin has maintained a sales force in the USA market since around 2005. We are therefore in close contact with the customer base, have maintained trading relations with the market, and are actively finalising alternatives to the master distribution partnership that characterised the 2000 to 2019 era. Although we are maintaining the supply of material to customers in North America, it will take time to optimise the alternative, restore full volume, and meet cash cycle objectives.

Overall sales volumes in 2019 were 11% lower, at 219 000 tons, with Rolled Products' 10% decline measurably better than the 16% reduction in sales at Extrusions. Group revenue totalled R10.7 billion, which is 7% lower than in 2018. The currency, which affects both profits and cash flows, weakened during the year from the R13.25 average in 2018 to R14.45 in 2019.

Hulamin passes the cost of metal to its customers, and derives profits from the difference between the conversion prices/ fees it charges and its costs. Gross margins net of metal declined by 6% in 2019, largely as a result of the reduction in volume. Manufacturing costs reduced by 5%, while administration and selling costs decreased 10%. Once-off restructuring costs of R114 million were incurred. These largely relate to employee severance costs.

Heightened uncertainty relating to increased protectionism in the US and the vulnerability of the domestic economy reinforced increasing the Company's weighted average cost of capital (WACC) to more accurately value the Company's internal forecasts of future cash flows.

This WACC increase, together with a softer outlook on market conditions both locally and in Hulamin's traditional export markets, resulted in material changes to the valuation of assets. As a consequence, an impairment charge of R1.25 billion has been applied to the cash-generating units of Hulamin Rolled Products and a charge of R30 million to Hulamin Extrusions.

The London Metals Exchange price of aluminium, which largely affects working capital and metal price lag, weakened from USD1 870 per ton at the end of 2018 to USD1 800 per ton. The annual average, a closer indicator of metal price lag, declined from USD2 110 per ton in 2018 to USD1 792 in 2019. A metal price lag charge of R68 million was recorded in 2019 (2018 profit: R4 million).

Hulamin Extrusions' largest asset, its 3 800-ton press, experienced a significant mechanical event in the first quarter. In late January, a crack was detected in a major steel component (cross-head) of the press. It was x-rayed and monitored and, following a deterioration in the cracks, a decision was taken to shut the press and repair the damaged cross head to prevent catastrophic failure, an event that would likely have resulted in a shutdown of the press for nine to 12 months. The press was consequently out of service for eight weeks while it was repaired, but the repaired crosshead has since operated successfully and a spare crosshead has been procured. This series of events resulted in severe disruption to the business, and prompted a high-level review and decision to consolidate the business onto a single site at considerably lower cost.

Group profitability was therefore severely impacted by the R136 million loss at Hulamin Extrusions, the metal price lag loss and once-off costs, the impairment charges and the decline in Rolled Products' sales.

Turnaround actions

Commencing in quarter two, management completed a turnaround plan with the following outcomes:

- Cost reduction. Approximately R400 million annual savings.
- Improving of distribution channels into the USA.
- We resumed sales of heat-treated plate, and common alloy standard and treaded products in the second half, following the disruption to our USA master distributor trading relationship.
- Releasing of cash from working capital (inventory reduction). Debt was reduced by R324 million between July and December 2019.

The largest component of Hulamin's costs is manpower. Hence, it provides the primary opportunity for cost savings. It is extremely unfortunate, given South Africa's socio-economic ails, that we have had to bid farewell to some 250 employees during 2019.

Isizinda

Hulamin and Bingelela jointly owned the slab cast house adjacent to the Hillside aluminium smelter in Richards Bay. This cast house receives molten aluminium from the Hillside smelter, adds alloying elements, and solidifies the resulting product into rolling slabs for Hulamin Rolled Products Pietermaritzburg Hot Rolling operation. It has also held assets for rim alloy, extrusion billet and aluminium rod production since 2008, when these assets were last in commercial operation.

Hulamin and Bingelela have reached an agreement, *inter alia*, for Hulamin to procure the rolling slab assets from Isizinda and to pursue the sale of the remaining assets of Isizinda. This agreement was signed during 2019, has commenced implementation, and it is planned to return a number of these mothballed assets to full production under independent ownership.

Metal supply

In 2015, Hulamin and South32 signed a five-year agreement for the supply of both molten aluminium to Isizinda, as well as solid primary ingot for use in Hulamin's Pietermaritzburg re-melting operations. During 2019, negotiations progressed to the point where Hulamin and South32 signed conditional agreements for the period 2020 to 2024 with mutually satisfactory commercial terms. The relative commercial impact on both parties is dependent on prevailing market prices, such as the London Metals Exchange (LME) price of aluminium, interest rates, Rand/US Dollar exchange rates, etc.

The key condition precedent is the conclusion of electricity supply agreements between Hillside and Eskom. Although good progress has been made, these remained outstanding at year-end. Substantial commercial contracts between Eskom and its counter parties are subject to regulatory approval, which is required for the Hulamin/South32 contracts to become unconditional. Interim (temporary) contracts are likely to be concluded, should this approval not be gained prior to the expiry of existing supply agreements during 2020.

Prospects

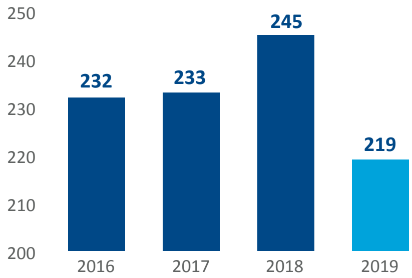
The turnaround actions that were started in the second half of the year were concluded prior to year-end. Although these actions are yielding cost and sales benefits, subsequent events have now surpassed these foundations for improvement in 2020. Order books for Rolled Products that had started filling during the second half of the year have subsequently declined measurably. The international Covid-19 outbreak and the application for anti-dumping duty by the Aluminium Association in the USA creates risk for our order books.

CHIEF FINANCIAL OFFICER'S REPORT

Key messages

- **Loss per share of 380 cents up by 57%,** impacted by **R0.9 billion after-tax impairment** to Rolled Products and Extrusions
- **Headline loss per share of 76 cents** compared to HEPS of 91 cents in prior year;
- **Sales volumes down by 11%,** impacted by Rolled Products US market disruption and Extrusions press failure, **disrupting performance momentum**
- **Balance sheet strength maintained**

GROUP SALES VOLUMES (tons)



Overview

A loss per share of 380 cents was recorded in 2019, which is 57% higher than the loss per share of 242 cents recorded in the prior year. An impairment charge of R1.30 billion was recorded in the current year (2018: R1.45 billion).

As Hulamin's share price trades at a significant discount to underlying net asset value, accounting standard IAS 36 requires an assessment of the recoverable amounts of non-financial assets and cash-generating units to be performed.

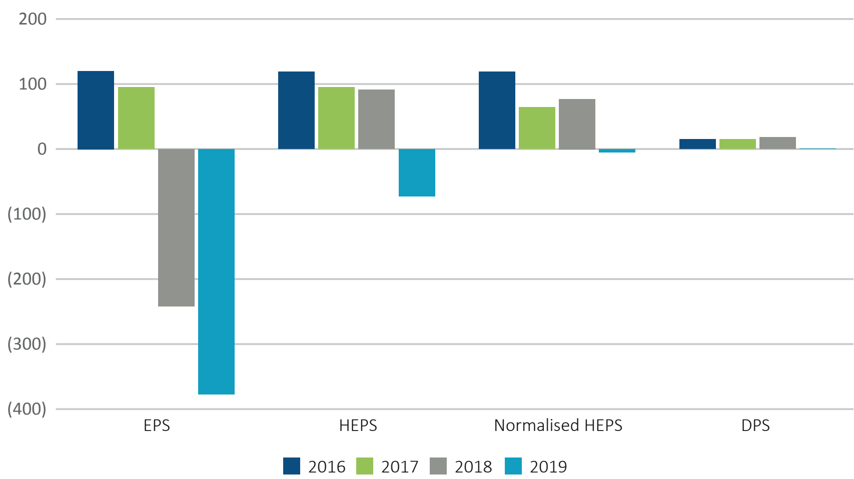
These impairments relate to both a reduction in the five-year forecast cash flows of the primary cash-generating units, reflecting the softer outlook in market conditions, as well as an increase in the company's weighted average cost of capital which takes account of increased uncertainty in the macro environment and the associated rise of risk indicators.

HEPS declined to a loss of 76 cents (2018: earnings per share of 91 cents). In addition to the weaker trading conditions, headline earnings was impacted by the following items:

- a negative metal price lag of R68 million (2018: gain of R4 million), resulting from the decline in the aluminium price during 2019;
- retrenchment costs of R114 million, resulting from the restructuring programmes completed during 2019;
- the timing impact of a commodity price risk management programme not qualifying for hedge accounting as at 31 December 2018 due to the limitations of IAS 39 resulting in a loss of R25 million in the current year (2018: gain of R60 million); and
- settlement of share-based payment related to Isizinda Aluminium of R65 million.

Following three years of improving operational performance, sales volumes declined by 11% in 2019 due to market disruptions in Hulamin Rolled Products and a mechanical breakdown in Hulamin Extrusions.

EARNINGS PERFORMANCE (cents per share)



Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer consolidated financial statements notes 2.1 and 2.2)

The Rand was 9% weaker against the US Dollar, averaging R14.45 versus R13.25 in the prior year.

Despite the supportive impact of the weaker currency, the reduced sales volumes, combined with lower unit conversion fees and higher material costs, contributed to a decline in gross margins after aluminium and other material costs of 10%.

Manufacturing costs were lower by 5% (lower by 2% before depreciation), supported by cost saving initiatives.

This contributed to a 98% decrease in EBITDA (before impairment) and resulted in a 54% decline in normalised EBITDA[1] to R313 million. Normalised headline earnings per share ("HEPS")[1] decreased to a loss of 8 cents (2018: gain of 77 cents).

Despite the poor trading performance, continued focus on working capital efficiencies resulted in cash inflows before financing activities (free cash flow) of R222 million which includes a R208 million customer late-receipt relating to the 2018 year. This enabled the group to reduce its net borrowings by R68 million to R226m million. Net debt was R272 million, which includes lease liabilities of R46 million, recognised in terms of financial reporting standard, IFRS 16. Net debt to equity increased by 3% to 11%, primarily as a result of the impairment charge recorded in the current year.

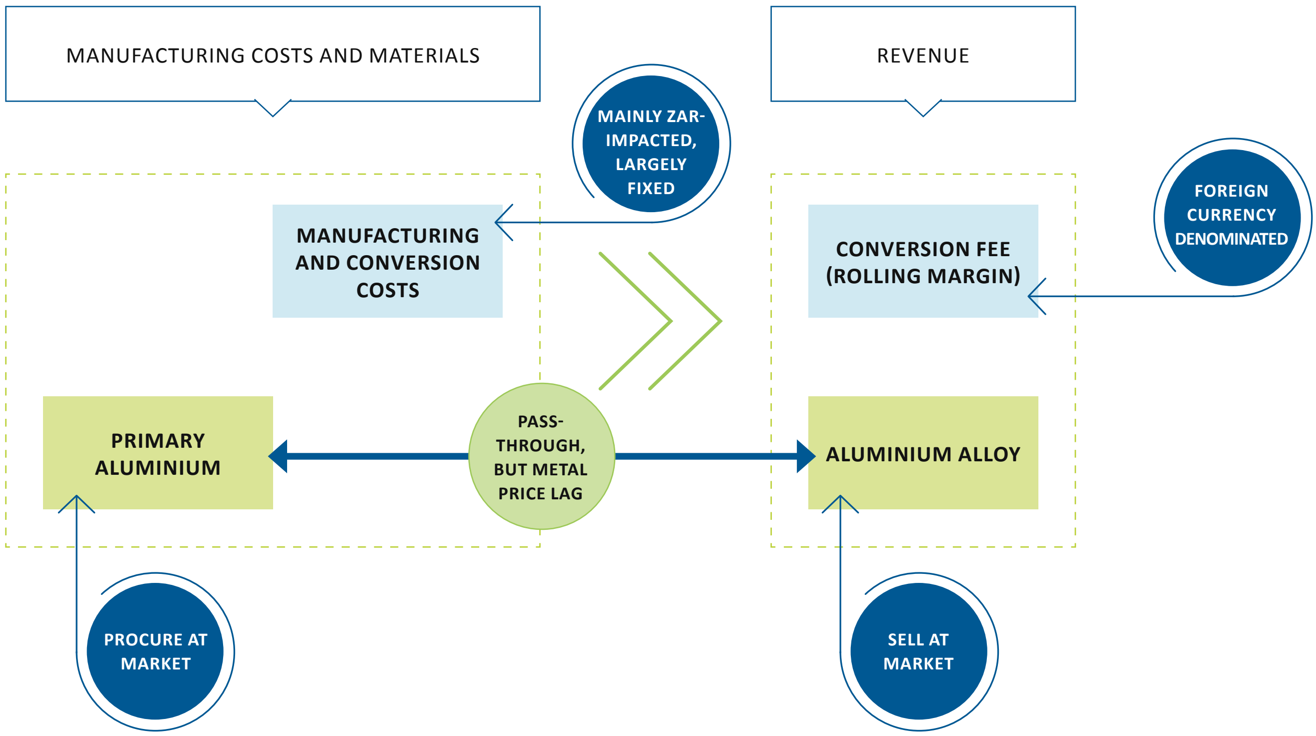
Due to the poor financial performance in 2019, and the uncertain outlook, no final dividend has been declared for the 2019 financial year (2018: 18 cents per share).

Key drivers of financial performance

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.

Hulamin's manufacturing costs are largely Rand-denominated and fixed in nature, whereas Hulamin's conversion fees are largely foreign currency denominated.

The cost of aluminium is largely a pass-through, however the time lag between procurement and invoicing results in a metal price lag impact on profit and loss as metal is procured and sold at prevailing market prices.



CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

In order to assess the impact of the external environment on Hulamin's business, it is important to understand the key factors that impact our financial performance:

Driver	Impact on value creation	Current period	Response and hedging strategy
Currency levels and volatility	• Hulamin's profits are highly sensitive to currency levels as the group's conversion margins, particularly in its Rolled Products segment, are largely US dollar and Euro denominated, whilst the group's manufacturing costs are largely Rand-based. • A large proportion of receivables are foreign-denominated. Hulamin is also exposed to foreign denominated trade creditors and import transactions, notably hardeners and capital expenditure.	• The Rand weakened 9% against the US Dollar from R13.25 on average in 2018 to R14.45 on average during 2019. • The Rand was 4% weaker against the Euro from R15.61 on average in 2018 to R16.18 on average during 2019.	• Hulamin entered into zero-cost collar transactions amounting to approximately US$112 million in 2019 on its foreign-denominated conversion margins net of currency-sensitive costs. This equates to around 60% of our exposure. This hedging strategy is put in place to secure a floor to the currency levels whilst providing some exposure to increased levels of weakness. A sharp fall-off in underlying demand combined with extreme currency volatility could, however, result in hedge losses. • The group hedges its currency exposures on foreign denominated receivables and payables from invoice date to expected receipt or payment date and on import transactions from the date of commitment by way of forward exchange contracts.
Volatile product markets	• Hulamin's profits are highly sensitive to sales volumes and conversion fees, due to its high proportion of fixed costs. • These are impacted by the mix of products produced and sold and the demand/supply dynamics of geographic markets and industry segments into which these products are sold. • In turn, these are impacted by the macroeconomic environment, geo-politics and tariffs, and trade flows.	• The US market, and particularly Hulamin's predominant channel to market, became severely overstocked during 2019, impacting on Hulamin's sales of common alloy and heat-treated plate. • The automotive market also softened during the period. • Conversion fees for these products similarly came under pressure during the current year. • However, demand for Hulamin's can stock products proved resilient.	• Hulamin has commenced the development of direct channels to market in the US during 2019 • Capital expenditure during 2019 included capacity improvements in higher margin products including can stock. • Hulamin awaits the outcome of its domestic duty application on imported rolled products.
Volatility of the aluminium price (currency and commodity price risk)	• The price of aluminium purchased by the group and sold to its customers is typically based on the average US dollar London Metals Exchange ("LME") aluminium price in the month prior to the month of delivery. • It usually takes about three months to produce and invoice the semi-fabricated products sold to customers and during this period the quoted LME price may increase or decrease. • Similarly, the Rand fluctuates against the US Dollar during this period, resulting in the purchase price of aluminium in Rand differing from the price realised upon sale. • On an unhedged basis, this can result in a high level of profit volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales. • However, there is a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.	• The London Metals Exchange price of Aluminium weakened from USD1 870 per ton at the end of 2018 to USD1 800 per ton. The annual average aluminium price declined 15% from USD2 110 per ton in 2018 to USD1 792 in 2019. • The average Rand aluminium price, a closer indicator of metal price lag, declined 7% from 2018 to 2019.	• The group uses derivative instruments, forwards and swaps, to reduce these profit and loss exposures. The group applies a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the metal lag. • Eliminating 100% of the price lag with derivatives would create a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements. • The unhedged fluctuation in the ZAR aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits. • During the current financial year the group made a pre-tax loss of R68 million from metal price lag (2018: R4 million gain). This net loss was made up of US dollar-denominated losses on the purchase and subsequent sale of metal, net of related currency gains, offset by net gains on derivative instruments.
Cost base	• Inflationary cost increases in South Africa places pressure on our cost base.	• The inflation rate for South Africa has fallen from 4.7% in 2018 to 4.1% in the current year.	• We seek to mitigate the effects of inflation through cost efficiencies and pricing improvements. • Cost savings in 2019 were offset by higher material costs (largely mix-driven). • Hulamin completed a turnaround plan during the second half of 2019 and effected the closure of the Extrusions Olifantsfontein operation, which collectively resulted in around 250 job losses and the reduction in other cost categories. • This has reduced the cost base of the business by around R400 million, of which R250 million relates to Hulamin Rolled Products and R150 million relates to Hulamin Extrusions, which will impact from the 2020 financial year.
Liquidity	• An increase in debt levels can result from: » a sharp rise in working capital, arising from a misalignment of metal procurement and sales; » losses arising from low levels of sales, due to the high fixed cost base of the business; » Rapid changes in currency or LME levels, impacting the cash flows on derivatives; and » High levels of investment in capital expenditure.	• During 2019, Hulamin secured a renewal of its 360-day notice general borrowing facilities and, for a further three years, of its working capital facilities. • Adequate liquidity was maintained throughout the year under review and covenants were comfortably met.	• Hulamin has a working capital borrowing base facility in place which adjusts to changes in eligible inventory and receivables to provide appropriate levels of available liquidity. • The impact of sharp changes in currency levels and commodity prices on derivatives is closely managed by the group's treasury committee. • Capital expenditure is closely monitored and controlled by the group's capital expenditure committee.
Interest rate	• The group is exposed to interest rate risk with respect to its borrowings which carry variable rates.	• The JIBAR interest rate was between 6.75% and 7.20% during both 2018 and 2019. The prime lending rate was between 10.00% and 10.25% over the same period.	• Interest payments of R55 million were 31% lower than that incurred in the prior year, primarily as a result of lower average borrowings maintained during the year.

Segmental performance	2019 Rolled Products Rm	2019 Extrusions Rm	2019 Group Rm	2018 Rolled Products Rm	2018 Extrusions Rm	2018 Group Rm
EBITDA*	**105**	**(87)**	**18**	745	(3)	742
Metal price lag	**68**	**–**	**68**	(4)	–	(4)
Non-trading items	**191**	**36**	**227**	(60)	–	(60)
Restructuring costs	**75**	**39**	**114**	–	–	–
Isizinda unbundling settlement	**65**	**–**	**65**	–	–	–
Loss on disposal of assets/(profit) on sale of investment	**26**	**(3)**	**23**	–	–	–
Commodity risk management programme not qualifying for hedge accounting in prior periods	**25**	**–**	**25**	(60)	–	(60)
Normalised[1] EBITDA*	**364**	**(51)**	**313**	681	(3)	678

** Before impairment charge*

2019 financial performance

The financial performance of the group is measured in terms of various key financial measures which include operating profit, headline and normalised[1] earnings, return on capital employed, cash flow generation, gearing and liquidity, as set out below in further detail.

The Rolled Products segment recorded an EBITDA of R105 million (before impairment), a decrease of 86% over the prior year's R745 million, negatively impacted by the sharp contraction in demand in the USA market and a number of non-trading items, including retrenchment costs. On a normalised[1] basis, Rolled Products EBITDA was 47% below that of the prior year.

Hulamin Extrusions incurred an EBITDA loss (before impairment) of R87 million, exacerbated by the retrenchment costs incurred in the second half of the year. On a normalised[1] basis, EBITDA was a loss of R51 million (2018: loss R3 million) as production and sales were severely disrupted by the failure of the P38 extrusion press in the first half and the subsequent closure of the Olifantsfontein plant in the second half, with a lag in the reduction in costs.

Note 2.1 of the group financial statements discloses more information on our operating segments contribution.

Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer consolidated financial statements notes 2.1 and 2.2)

Rolled Products performance

Hulamin Rolled Products experienced deteriorating market conditions both locally and internationally in 2019. In addition, trading conditions for Hulamin in the USA became increasingly difficult.

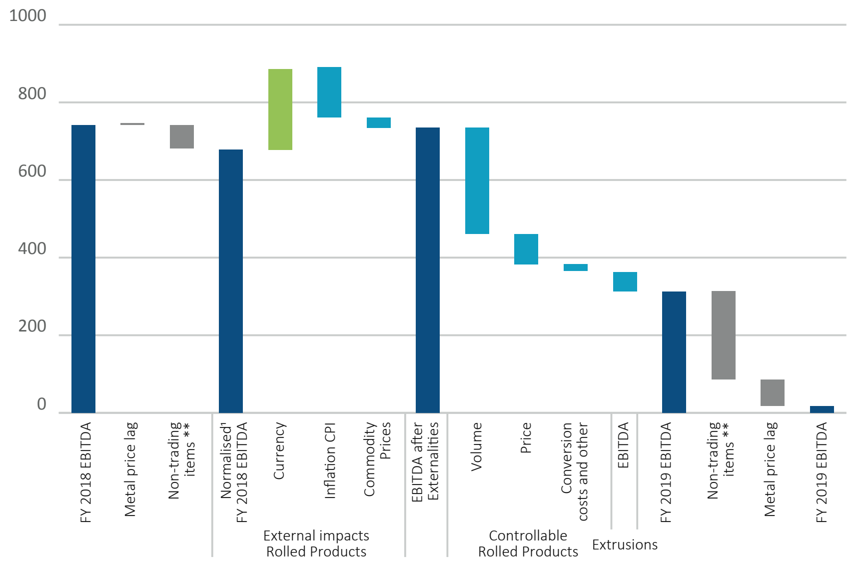
The US common alloy market moved sharply into an overstocked position in 2019. The duties imposed on Chinese exporters of common alloy to the US in 2018 led to a surge in imports of common alloy from non-Chinese sources, resulting in excess supply. This has been exacerbated by increased availability in the US market from domestic producers.

After a long history of trading in partnership, Hulamin's single distribution channel into the US market suspended its normal procurement pattern from Hulamin early in quarter 3, citing extreme overstocking, impacting Hulamin's sales of heat-treated plate and common alloy products in that market in 2019. This resulted in a reduction in the sales of common alloy products by some 25% and heat-treated plate by 29%.

In addition, automotive markets globally exhibited a slowdown throughout the year, resulting in a 15% reduction in Hulamin's sales into this industry sector.

These impacts were partly offset by improvements in sales into the can market, with local can stock sales improving 22% over 2018, and can stock exports in line with the prior year.

EBITDA FY 2018 VERSUS FY 2019 (Rm)



*** As detailed in table above*

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

All of these factors combined to limit Hulamin Rolled Products sales volumes to 204 000 tons for the year, some 10% lower than the 228 000 tons recorded in 2018. Due to the high fixed manufacturing cost base of the business, the impact on operating profit of this sharp reduction in volume has been severe.

Overall, average unit US Dollar conversion fees, after material costs, achieved in 2019 were some 8% lower than the prior year and under pressure in most markets and industry segments. Material costs, notably paints and lacquers, were higher by 17%.

Thus, despite the 9% weaker currency levels which prevailed during 2019 (2019: R14.45 versus 2018: R13.35), gross margins after aluminium and other material costs declined 10%.

Hulamin's manufacturing cost base is largely fixed in nature. Manufacturing costs decreased 5% over the prior year (2% decrease before depreciation), supported by cost savings achieved of around R120 million during the year, largely in the areas of packaging and consumables, energy, employment costs and contractors and administration costs. Administration and selling costs declined 10% over the prior year.

Turnaround plan

As a consequence of the downturn in performance, Hulamin implemented a turnaround plan in May 2019. This was completed during the year and resulted in:

- the closure of Hulamin Extrusions' Olifantsfontein plant;
- the retrenchment of in excess of 250 permanent employees (including Olifantsfontein) and the further reduction in contractor and consultant costs as well as a pay freeze for salaried employees; and
- the reduction of additional non-manpower costs across all categories.

This has resulted in cost reductions of R250 million in Rolled Products and R150 million in Extrusions. This represents around a 40% reduction in the overall cost base of Hulamin Extrusions, whilst overall production capacity at the consolidated Pietermaritzburg operation has reduced by some 25%.

The impact of these cost reduction actions will impact Hulamin's results as from the 2020 financial year.

In addition to the cost reduction actions, Hulamin restored the inventory imbalance midway through 2019 resulting from the sharp fall off in demand in the US and developed a direct channel to market in the US.

Isizinda Aluminium Proprietary Limited ("Isizinda")

Hulamin produces the majority of its rolling slab requirements at its Pietermaritzburg plant and sources the balance from Isizinda. It was agreed between the shareholders of Isizinda, Bingelela Capital Proprietary Limited ("Bingelela") and Hulamin Operations Proprietary Limited ("Hulamin Operations") on 22 May 2019 that, *inter alia,* Hulamin Operations would purchase the slab business from Isizinda, effective 1 January 2020, and that Isizinda would use the proceeds from the disposal of the business assets to reduce its loan from Hulamin.

Hulamin Operations advanced R50 million to Isizinda, which has been used by Isizinda to declare a dividend of R35 million to Bingelela, with a further dividend of R15 million to be declared and paid upon Hulamin completing a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

Hulamin has historically accounted for its investment in Isizinda as a subsidiary and Bingelela's interest in Isizinda as a grant of an equity option. The transaction has resulted in the effective settlement of the equity option held by Bingelela in Isizinda, resulting in a R65 million charge to profit and loss.

Full details of the accounting implications of the Isizinda transaction has been disclosed in note 6.1(d) of the group financial statements.

Metal price lag and non-trading items

A metal price lag loss (after the 50% hedge) of R68 million was recorded in 2019 (2018: gain of R4 million), as the Rand aluminium price declined during 2019.

In addition a number of non-trading costs were recorded in 2019:

- retrenchment costs of R114 million, resulting from the restructuring programmes completed during 2019;
- the timing impact of a commodity risk management programme not qualifying for hedge accounting as at 31 December 2018 due to the limitations of IAS 39, resulting in a loss of R25 million in the current year (2018: gain of R60 million); and
- settlement of share-based payment related to Isizinda of R65 million.

Depreciation and impairment charges

Depreciation and amortisation charges reduced by 77% to R136 million in 2019, from the R241 million recorded in 2018, largely as a result of the significant impairment charge recorded in the prior year.

A further impairment charge of R1.30 billion was recorded in 2019 (2018: R1.45 billion).

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

A deterioration in the market outlook both locally and globally has led to a reduction in forecast cash flows for both the Hulamin Rolled Products and Hulamin Extrusions cash-generating units.

Heightened uncertainty in the macro environment, and the associated rise of risk indicators, has resulted in an increase in the Company's weighted average cost of capital (WACC).

These impacts have resulted in material changes to the valuation of assets and, as a consequence, an impairment charge of R1.25 billion (2018: R1.38 billion) has been applied to Hulamin Rolled Products and R30 million (2018: R74 million) to Hulamin Extrusions cash-generating units.

Impairment charges, totalling R19 million, relating to the property at Isizinda Aluminium and the Olifantsfontein assets held for sale, were also recorded.

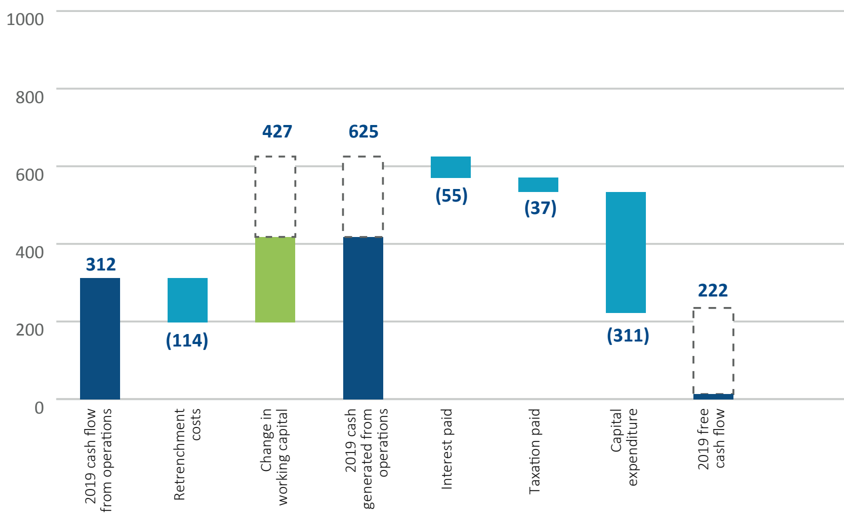
Full details, including key sensitivities, are provided in note 2.4.4 to the financial statements.

Finance costs

Total interest paid decreased by 32% to R55 million as a result of lower average borrowings during the current financial year.

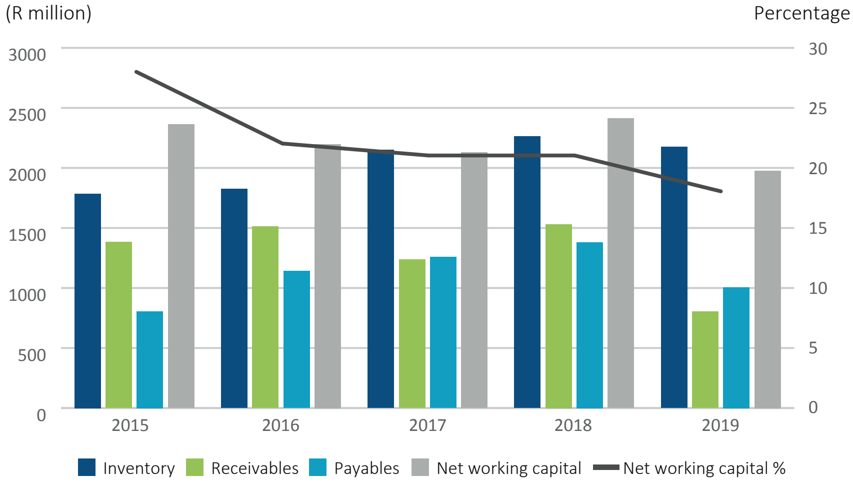
Net finance costs were 34% lower than the comparative period at R48 million.

FREE CASH FLOWS FY 2019 (Rm)



** FY 2019 free cash flow includes receipt in transit at December 2018 of R208 million received in January 2019.*

FIVE YEAR NET WORKING CAPITAL PERFORMANCE



Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer consolidated financial statements notes 2.1 and 2.2)

Taxation

The effective rate decreased from 24.4%% to 18.1% in the current year, largely due to deferred tax assets in relation to the Hulamin Rolled Products and Hulamin Extrusions operating segments not being recognised, based on an assessment of future cash flows and taxable profits.

Headline and normalised[1] earnings

Headline earnings for the group decreased by 182% to a loss of R240 million in 2019, from R292 million earnings in the previous year.

Normalised[1] headline earnings decreased by 111% to a loss of R26 million in the current year, from earnings of R246 million in 2018. This is the result of the deterioration in underlying profitability, combined with the impact of the non-recognition of deferred tax assets.

Free cash flow

Cash generated from operations was up to R626 million versus the R486 million in the prior year, boosted by a 2018 late customer payment of R208 million received in January 2019.

After capital expenditure of R311 million, and lower interest and taxation cash flows, free cash flow of R222 million was recorded in 2019, which represents R14 million before the late customer receipt. This compares with the free cash flow of R90 million in 2018 (or R298 million, if the late customer receipt is allocated to this year).

Operating cash flow

Cash flow from operations (before working capital and retrenchment costs) declined 54%. After retrenchment costs, cash flow from operations before working capital declined 71% to R198 million from the R673 million recorded in the prior year.

Working capital management

Hulamin has continued to improve its working capital position, with net working capital as a percentage of revenue improving from 28% to 18% over the period 2015 to 2019.

Positive cash flows from working capital, adjusted for the late customer receipt referred to above were R220 million in 2019, versus the R20 million recorded in the prior year.

CHIEF FINANCIAL OFFICER'S REPORT CONTINUED

The reduction in net working capital levels in 2019 were driven by the reduction in the Rand price of aluminium and the lower activity levels, but also as a result of taking advantage of customer supply chain finance programmes during the period.

Receivables are insured, with a 10% deductible, and the quality of the book remains good.

Capital expenditure and commitments

Capital expenditure for the year, which included spend to support an improved product production mix, increased 29% to R311 million from the R242 million outflow in 2018. An amount of R85 million (2018: R175 million) has been contracted and committed but not spent.

Capital management

Borrowings and liquidity

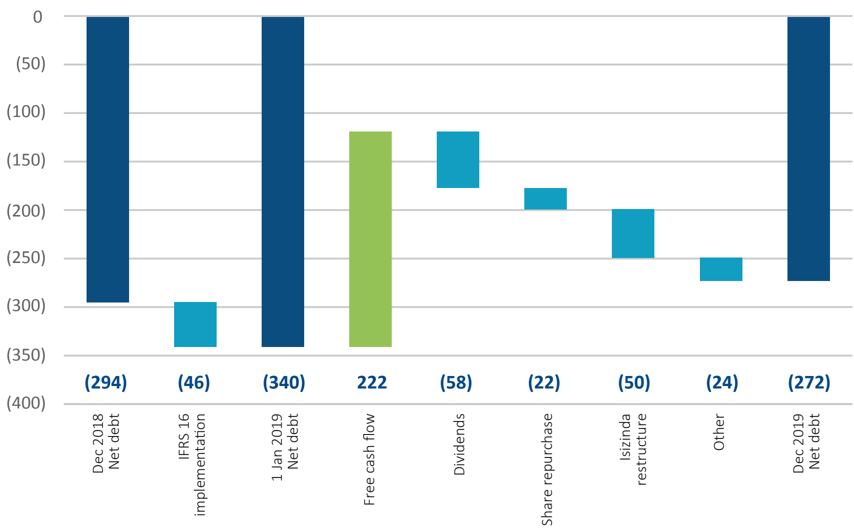
Net borrowings closed at R226 million, down from the R294 million on the prior year closing position. Net debt was R272 million in 2019, after the recognition of R46 million lease liabilities resulting from the adoption of IFRS 16.

Net borrowings comprised the balance of R54 million of an original R270 million term loan (put in place to fund the investment in Hulamin's recycling facility) and a R298 million revolving working capital loan, reduced by cash balances of R126 million. Direct committed facilities totalled R1 254 million, leaving headroom of R1 028 million at year-end. Indirect committed facilities of R300 million comprise a guarantee and letters of credit facility.

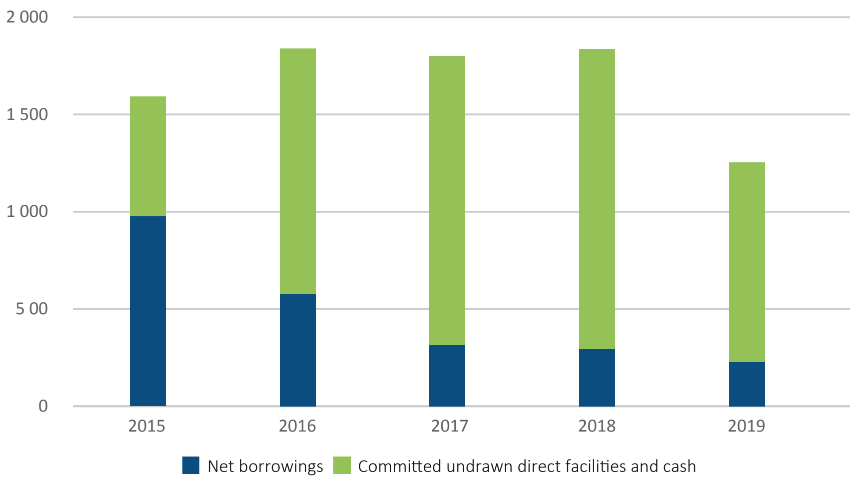
Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants have been met with a significant safety margin in the 2019 financial year.

Gearing (net debt-to-equity) increased to 11%, after the impairment charge.

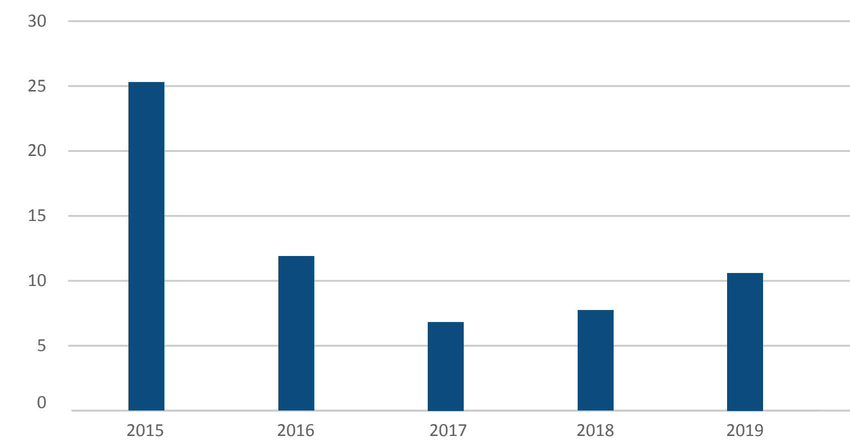
NET DEBT FY 2019 (Rm)



NET BORROWINGS AND HEADROOM (Rm)



NET DEBT TO EQUITY (Percentage)



Dividends and share repurchases

Due to the poor 2019 financial performance and the significant uncertainties in outlook, and in line with the group's dividend policy which targets distributions covered by headline earnings, the board has decided not to declare a dividend for the 2019 financial year. A dividend of 18 cents per share was declared in respect of the 2018 year and payments of R58 million related thereto were made during the year.

In addition, the group repurchased in excess of eight million shares during 2019, totalling R22 million, by way of an open market share repurchase programme.

Accounting policies

New accounting standards

The group adopted IFRS 16, 'Leases' from 1 January 2019. The "simplified" transition approach was adopted without comparatives being restated. The impact of the implementation of IFRS 16 on the statement of financial position at 1 January 2019 was an increase in both right-of-use assets and lease liabilities by R47 million.

The hedge accounting provisions of IFRS 9, "Financial Instruments" was adopted without restating comparative information in accordance with the transitional provisions. IFRS 9 permits separately identifiable and reliably measurable risk components to be eligible as hedge items which was not permitted under IAS 39. Therefore, the adoption of IFRS 9 has enabled Hulamin to elect the metal price component of an invoice as the hedged item which has overcome the shortcomings in measuring hedge effectiveness under IAS 39.

Full details of the impact of the implementation of IFRS 16 and the hedge accounting provisions of IFRS 9 have been disclosed in note 10 of the group financial statements.

Going concern and events after the balance sheet date

Material events between the end of the financial year and the date of approval of the financial statements have been detailed in note 1.9 of the group financial statements. The most noteworthy events are:

- The acquisition by Hulamin Operations of the rolling slab casting business and assets of Isizinda in terms of the Isizinda transaction described above;
- The economic impact of Covid-19 on Hulamin and its markets;
- The US anti-dumping petition against imports of common alloy sheet; and
- The arrangement of a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

Despite the deterioration in the group's liquidity position during 2020 to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities and Hulamin's committed unutilised debt facilities will enable the group to continue meeting its obligations as they fall due. The consolidated financial statements for the year ended 31 December 2019, therefore, have been prepared on the going concern basis.

In making this assessment, the board has considered the potential impact of the key uncertainties which relate to the matters described above, together with a consideration of management's scenarios and forecasts to the end of 2021 set out in note 1.10 of the group financial statements. It is recognised, however, that a more adverse impact of the various uncertainties than included in these scenarios, or a different combination thereof, could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs.

Whilst the board do not consider it likely that the either a lack of approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy or an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32 beyond August 2020, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

Conclusion and outlook

Hulamin reported disappointing financial results for 2019, resulting from tougher market conditions in Rolled Products and an equipment breakdown in Hulamin Extrusions. In addition, a number of non-trading items and further significant impairment charges have resulted in an increase in the net loss for the year to R1.2 billion (from the R773 million recorded in the previous year). Nevertheless, cash flows have proven resilient, supported by ongoing working capital efficiencies. This has resulted in borrowings reducing to R226 million and a net debt to equity ratio of 11%. The group has implemented a significant turnaround plan in 2019 which has further reduced the cost base in both Hulamin Rolled Products and Hulamin Extrusions which improves the resilience of these businesses in the face of uncertain market conditions.

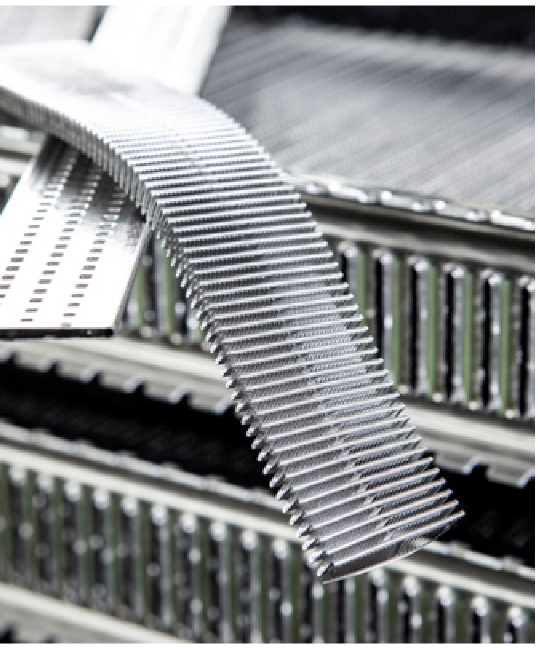
RISK MANAGEMENT

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 threats and exploiting opportunities. The group's possible 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's long-term objectives, which recognise the interests of all stakeholders in the business as informed by the group's risk appetite and tolerance levels.

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



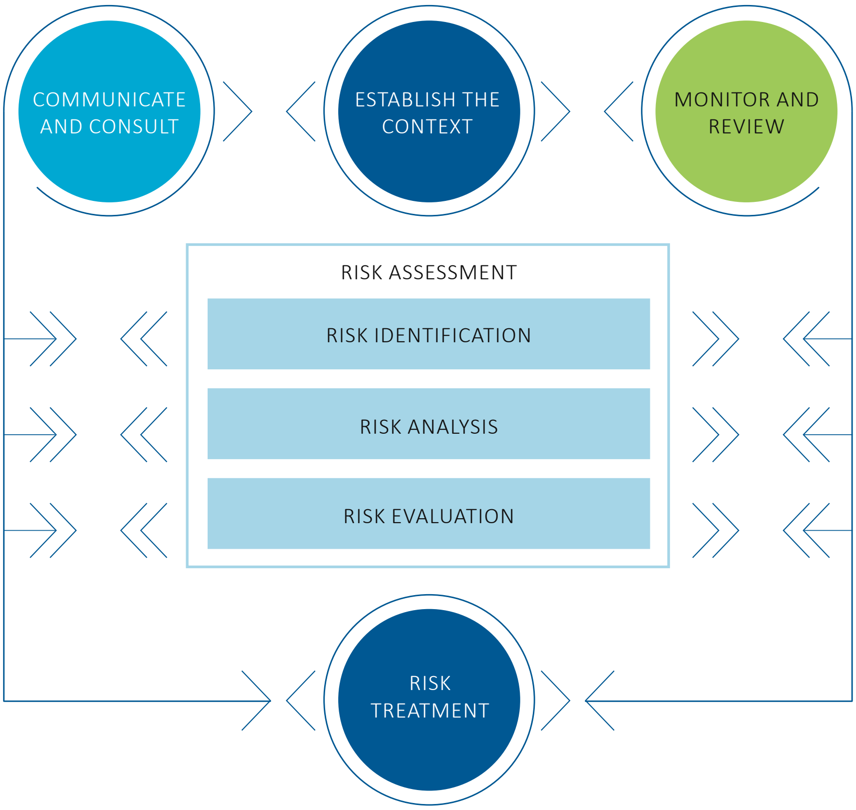
Risk management framework

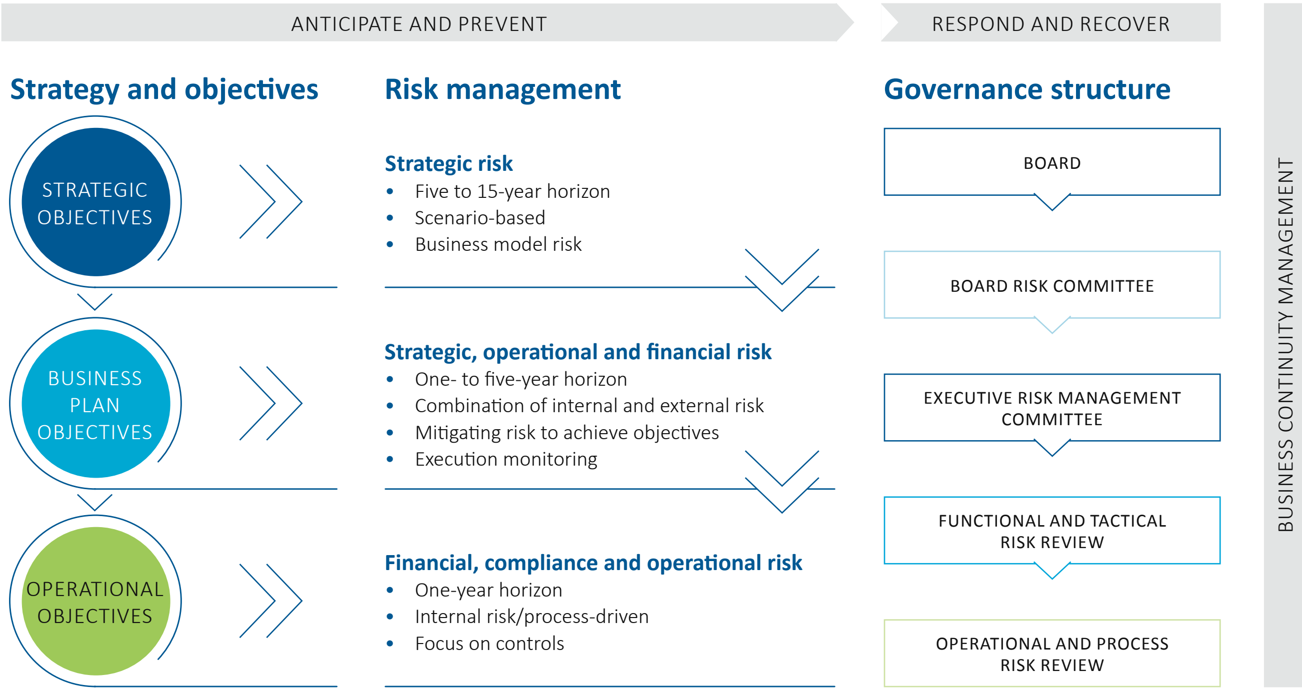
Hulamin's risk management framework provides the basis for the implementation of a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact Hulamin's strategic and business objectives. The framework also addresses the specific responsibilities and accountabilities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

The adoption of a framework (ISO 31000), which is based on the ERM framework published by the International Organisation for Standardisation (ISO) of the Treadway Commission assists Hulamin in:

- aligning its risk appetite and strategy;
- pursuing business objectives through transparent identification and management of 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 the allocation and deployment of capital;
- ensuring compliance with laws and regulations; and
- increasing the probability of achieving objectives.

Risk management process





Risk Governance

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

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

There is also a Risk Management Committee, a sub-committee of the executive committee, which is accountable to the board Risk 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 executive committee, supported by management, supports Hulamin's risk management philosophy; promotes compliance with Hulamin's risk appetite; identifies, assesses and manages risk 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 process. Various external and internal parties provide risk assurance and compliance. The risk management committee coordinates cross functional scenario teams (internal and external expert sources) to monitor scenario flags and implement appropriate strategic and tactical responses.

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 primarily responsible for assessing the design adequacy and operating effectiveness of internal controls 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 that 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.

Risk appetite and tolerance

Hulamin's risk appetite statement and the group's levels of risk appetite and tolerance are reviewed on at least an annual basis by the board. The risk appetite statement provides guidance as to what kinds of risk and what amount of risk Hulamin is willing to accept as it seeks to achieve its business objectives. Risk tolerance refers to the level of uncertainty we are prepared to accept and can bear. The determination of risk appetite assists to ensure that decisions are made in pursuit of business objectives, after considering quantifiable, impartial risk measures. Hulamin's risk appetite is expressed in terms of risk parameters which provide guidance as to the quantum of risk which is bearable, targeted and tolerable; and the nature of risks which are acceptable or undesirable. Key financial risk appetite and tolerance measures include: EBITDA, HEPS, shareholders' equity, net debt to equity ratio, headroom in borrowing facilities, current ratio. These metrics are embedded in risk rating tables for the evaluation of individual risks and are also established at an aggregate level for assessing the overall risk portfolio of the group.

Business continuity management ("BCM")

Hulamin has implemented a BCM programme comprised of three phases: emergency response, crisis management and business continuity and disaster recovery. These plans are in place, however, ongoing updating, training and awareness is required in this regard. The impact of the COVID-19 pandemic is challenging traditional BCM approaches and there are a number of lessons learnt which we will incorporate in our BCM programme.

Top risks

The most material risks of the group, on a residual risk basis, are set out in the table following.

The events in early 2020 relating to the COVID-19 pandemic have led to a reassessment of our risks and their impact on our business.

RISK MANAGEMENT CONTINUED

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
1.	Strategic (macro-economic, market demand) Operational Financial	**Impact of COVID-19 global pandemic** The COVID-19 pandemic and the extraordinary measures taken by governments and authorities to limit the spread of the virus, is having a profound impact on all sectors. In the case of manufacturing, operations are being disrupted, demand and prices are falling, operational activities are being curtailed and capital projects reviewed. The aluminum industry has begun to see signs of slowing in a number of markets. Automakers and aerospace manufacturers have begun to cut back production. Building and construction activity has weakened significantly. The packaging and can sheet sectors have been relatively steady. The impact of COVID-19 on Hulamin in 2020 to date has been severe and has added significant complexity to the operation of the business. How quickly the domestic and global economy will take to recover is unclear.	The impact of COVID-19 on Hulamin in 2020 to date has been severe and has added significant complexity to the operation of the business. This has resulted in a re-assessment of our risks and their impact on our operations. Apart from the significant risk to employee health and welfare, the impact of the pandemic acts as a trigger for a number of other identified risks, including disruption to our manufacturing operations and supply chain, domestic and global economic slowdown, impacting the demand for our products and currency and commodity price volatility, as well as credit, liquidity and solvency risks. This is further outlined in notes 1.9 and 1.10 of the group financial statements.	• Leadership: Establishment of COVID-19 command council comprising senior executives across the group, managing primary activities, monitoring key metrics and identifying areas of emerging risk; providing consistent communication and guidance to employees; proactive engagement with government; regular and ongoing communication with suppliers, customers, and other key stakeholders; ongoing review of business scenarios and adaptation of strategy implementation in accordance with business resilience. • Employees: Provision of support to employees, considering their wellness, safety and security; providing ongoing training and information on the pandemic and ensuring awareness of Hulamin site protocols relating to COVID-19. • Financial: Adoption of a prudent and proactive approach to managing liquidity. Ongoing evaluation of financial position of the group, management of cash flow, and proactive engagement with bankers and funders. Cost reduction measures and deferral of non-critical capital expenditure. • Operations: A focus on production continuity under strict conditions which include: mandatory cyclical employee and contractor testing and isolation where required, enforcement of team separation, social distancing measures and mandatory use of masks; supply of company-provided transport to employees who currently rely on public transport to get to work; stringent cleaning/disinfecting routines; and off-site working arrangements for non-production critical staff. • Safety, health and facilities: Providing a workplace for employees that meets all COVID-19 health protocols, as well as driving fitness for work principles, ensuring safe and stable operations. • IT: Facilitation of remote working by office staff and assisting with virtual communication and engagement, ongoing protection and monitoring of cybercrime. • Commercial, credit and insurance: Monitoring changes in the business environment impacting both customers and the supply chain, with increasing business distress and a tightening in the provision of credit. Proactive engagement with credit, asset and liability insurers.	Pillar 1	Increasing

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
2.	Financial**	**Liquidity*** The group's liquidity is affected by operational and market stability impacting cash generation, available cash, borrowing facilities and lines of credit, and future commitments. Hulamin's liquidity position has been negatively impacted by the lockdowns as a result of the COVID-19 pandemic. Significant uncertainty regarding operational and market stability remains in the near term. This is further outlined in notes 1.9 and 1.10 of the group financial statements.	• The inability to meet working capital requirements, constraining operations • The inability to fund and execute strategic and improvement projects, delaying strategic progress • Excessive interest charges due to higher borrowing levels and credit costs	• During 2019, Hulamin secured a renewal of its 360-day notice general borrowing facilities and, for a further three years, of its working capital borrowing base facilities which adjust to changes in eligible inventory and receivables to provide appropriate levels of available liquidity. • Adequate liquidity was maintained throughout the 2019 year and covenants were comfortably met, however, the impact of domestic lockdowns as a result of the COVID-19 pandemic have placed significant pressure on the group's liquidity position in the first half of 2020. • Capital expenditure is closely monitored and controlled by the group's capital expenditure committee. • Ongoing inventory and cash cycle management. • Participation in customer supply chain financing programmes. • Cost reduction actions. • Ongoing monitoring supported by regular cash-flow projections.	Pillar 1	Increasing
3.	Financial**	**Currency/commodity price volatility*** Hulamin's conversion fees are predominantly foreign currency based or denominated whereas Hulamin's manufacturing costs are mostly Rand-based. In addition, the price of aluminium purchased by the group and sold to its customers is typically based on the average US dollar London Metals Exchange ("LME") aluminium 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's profits and cash flows are highly sensitive to currency levels as the group's conversion margins are largely US dollar and Euro denominated, whilst the group's manufacturing costs are largely Rand-based. In addition, on an unhedged basis, changes in the Rand aluminium price can result in a high level of profit volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales. There is, however, on an unhedged basis a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.	• From time to time, Hulamin hedges the currency levels on its conversion fees with derivatives to secure a suitable floor. However, as has been experienced in the first half of 2020, a sharp fall-off in underlying demand combined with extreme currency volatility could result in hedge losses. • The group uses derivative instruments, forwards and swaps, to reduce the profit and loss exposures resulting from metal price lag. The group applies a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the metal lag. However, the use of derivatives creates a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements.	Pillar 1	Increasing

*   *Risk impacted by COVID-19*
** *Financial risks detailed in Chief Financial Officer's review on pages 40 to 47.*

RISK MANAGEMENT CONTINUED

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
4.	Strategic (political)	**Global trade legislation and tariffs impacting Hulamin's exports** These risks relate mainly to changes in trade legislation or tariffs imposed on countries or organisations where Hulamin or its supply chain has its operations or market activities. Hulamin has manufacturing operations in South Africa but supplies to customers in over 50 countries around the world and is reliant on global supply chains. Markets and operations are affected by the political and economic environments within and between these countries. There is a growing trend in protectionist trade policies around the world and of support being provided to local manufacturing industries.	A review of trade access into key customer markets such as Europe and USA or the imposition of tariffs affecting Hulamin or its competitors, could result in either a more favourable environment for Hulamin or could result in a loss of competitive advantage relative to other exporters into these markets. Chinese aluminium producers may get increasingly closed out of key markets such as USA through punitive tariff protection measures. On 9 March 2020, a petition was filed in the USA by domestic US producers against imports of aluminium common alloy sheet from 18 countries, including South Africa. The petition claims material harm to the US aluminium industry and seeks tariff relief in the form of anti-dumping countervailing duties. The US investigation is expected to be completed by December 2020. If duties are ultimately imposed on product supplied by the 18 countries, it is likely that the rates applied could vary between the different countries. Hulamin is accordingly unable to determine at this stage what the impact of any duties imposed might be. Further details on this risk are set out in notes 1.9 and 1.10 to the consolidated financial statements.	• Monitor and engage relevant stakeholders to ensure Free Trade between SA & EU is extended beyond 2020. • Monitoring and engagement: Hulamin monitors changes in trade legislation and political risks in the countries in which it operates, in conjunction with its credit insurers, customers and supply chain. Proactive engagement with DTI and international trade authorities to understand and influence direction of trade policies. • Established customer relationships across a variety of countries and industries allow Hulamin some flexibility in shifting products which fall outside the scope of the investigation, subject to asset constraints, and rerouting sales. • Focus on product development and innovation with key OEM customers. • As regards the duty investigation which has recently commenced in the US in relation to imports of aluminium common alloy sheet, two key workstreams have been established: defend the case (to avoid/minimise duties applicable to Hulamin supply); and identify and develop alternative sales opportunities in the event that there is an adverse outcome.	Pillar 1	Increasing
5.	Strategic (macro-economic, market demand)	**Domestic market demand*** Constrained domestic economic activity and market demand arising from low economic growth. Drivers include: the pace and extent of implementation of structural reforms, particularly the reconfiguration of Eskom, investor confidence, global growth and trade frictions affecting the price and demand for South Africa's exports.	Constrained local market demand for aluminium semi-fabricated products, impacting overall ex works conversion fees and sales volumes.	• Shift mix as appropriate to export opportunities, primarily in can stock • Seek growth opportunities through new product development in conjunction with our customers	Pillar 1 Pillar 3	Increasing
6.	Strategic (political)	**Competition in domestic market from imports** Import volumes of aluminium sheet, plate, foil and extruded products into the local South African market, particularly from low-cost countries, have increased over the past few years and have resulted in a decline in Hulamin's domestic market share.	The loss in market share has resulted in an adverse impact on production, an inability to fully utilise investments in manufacturing assets and negative financial consequences on Hulamin.	• Focus on supporting and developing OEM market sectors in South Africa. • Focus on improved customer service, on-time delivery, reliability and quality. • Pursue tariff protection where necessary. In August 2018, Hulamin applied for import duty on rolled products supplied into South Africa. Hulamin awaits the outcome of this duty application. • Implementation of can stock resale programme • Shift mix as appropriate to export opportunities, primarily in can stock.	Pillar 1 Pillar 3	Increasing

* *Risk impacted by COVID-19*

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
7.	Strategic (competition)	**Competition in export markets** This risk relates to the global oversupply of aluminium semi-fabricated products, driven by continued capacity investments in China. Investment in capacity exceeds demand growth, leading to flat/lower utilisation rates over the next 10 years, resulting in increased competition in global and local markets for market share.	Per unit conversion fees in key product categories continue to decline in US dollar terms	• Monitor competitor actions. • Ongoing development of product/market strategies to identify Hulamin's niche focus areas where competition is expected to be lower. • Pursue manufacturing excellence and low cost of production. • Develop local and regional sales, including the promotion of local market OEM type products. • Outcome of duty application in SA awaited • Drive improved product mix, by: » Growing proportion of current high value products in overall mix (and reduce low margin export common alloy volumes); » Improve routes to market and niche positions in current high value products; and » Develop new, higher value products with focused investments in finishing capability.	Pillar 1 Pillar 3	Increasing
8.	Operational (product and process technology)	**Commoditisation of product portfolio** Increased relevance of access to required technology and skills to advance Hulamin's product portfolio	Inability to develop new high value, niche products to improve business profitability and long-term sustainability	• Maintain strong relationships with current technology partners/consultants, industry experts and academic institutions. • Develop relationships with international strategic/technical partners. • Develop local R&D network and aluminium technology centres in accordance with the South African Aluminium Industry Roadmap developed by the CSIR and Department of Science and Technology together with the Aluminium Federation of South Africa. • Work closely with existing customers to develop new and enhanced products .	Pillar 1 Pillar 2 Pillar 3	Stable
9.	Strategic (Political)	**Sustainability of Hillside smelter** Regulatory approvals, which are required to render the new South32/ Eskom electricity supply agreement effective, remain outstanding. The current electricity supply agreement for Hillside's potlines 1 and 2 ends June 2020. A new agreement has been approved by the Eskom and South32 boards but has been stuck at Nersa for several months. Nersa has asked for a long-term energy tariff policy for energy-intensive users from the Department of Mineral Resources & Energy. Whilst S32 is confident that these regulatory approvals will be obtained in the next few months, this remains uncertain.	Hulamin has concluded a five-year metal supply agreement with the Hillside Aluminium operation of South32 which initially extends to 30 June 2020 and will only extend beyond that point if the South32/ Eskom electricity supply agreement becomes effective. Should the agreement not be approved, which is considered unlikely, Hulamin would face severe profitability and liquidity challenges. This is further outlined in notes 1.9 and 1.10 of the group financial statements.	• Ongoing engagement with government, South32 and other stakeholders to ensure support of domestic aluminium industry • Ongoing development of alternative metal sourcing options.	Pillar 1 Pillar 3	Stable
10.	Strategic (political)	**Electricity supply in South Africa** South Africa has experienced delayed investment in electricity generation and distribution infrastructure and capacity impacted by Eskom debt service costs, productivity issues and input costs. This could be exacerbated by Eskom fixed costs becoming excessive with national power requirements lower than anticipateddue to low GDP growth.	Inconsistent supply and increasing cost of electricity, resulting in operational disruptions, increased costs and margin reductions and loss of investor confidence	• Execution of demand reduction operating plan to minimise production losses. • Work closely with Eskom to ensure Hulamin has as few disruptions as possible. • Enhance backup generation capacity to mitigate impact of load shedding. • Ongoing engagement with NERSA via the Energy Intensive Users Group for "reasonable" electricity cost escalations. • Enter into power purchase agreements to source energy from renewable resources, in order to minimise dependence on Eskom, reduce costs and improve scope 2 GHG emissions in line with our science-based targets.	Pillar 1 Pillar 3	Stable

RISK MANAGEMENT CONTINUED

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
11.	Strategic (Political)	**Reduced investment in and/or failure of infrastructure in the domestic economy** This relates to the risk of government failure, delay and/or sub-optimal implementation of domestic economic reform initiatives and infrastructure improvements.	Reduced investment in and/or failure of infrastructure which Hulamin relies on, including ports, roads, energy and water would result in an increase in operational disruption and Hulamin's manufacturing cost base, leading to Hulamin becoming increasingly globally uncompetitive. This could also constrain the spend in the domestic engineering and building and construction sectors and adversely impact on further downstream manufacturing investment resulting in decreased domestic demand for Hulamin's products.	• Shift in Hulamin's product mix to higher value OEM sectors, with lower dependence on infrastructure projects. • Monitor capability of outgoing logistics, including road, rail and port infrastructure. • Reduce electricity usage through energy efficiency projects. • Ongoing diversification of gas supply to limit dependence on a single source. Compressed natural gas (CNG) has been introduced into the supply mix, and LPG supply sources have been diversified. Further opportunities being pursued. • Ongoing water consumption reduction initiatives and in the process of launching a water recycling program. Backup water reservoirs in place at primary Hulamin sites.	Pillar 1 Pillar 3	Stable
12.	Strategic	**Concentration risk** Hulamin's business units are exposed to the risks of product, market and customer concentration, which can result in volatility in asset-utilisation and resultant earnings.	Concentration risks could lead to volatile earnings and returns on investments in manufacturing assets. The loss of a major customer or market could have a significant adverse performance. Around 45% of Hulamin's sales are in the domestic market, with North America and Europe also being substantial markets. More than 50% of Hulamin's sales are focused towards the packaging sector, mainly can stock, which have proven resilient. Main concentration risks relate to local can body stock, local automotive heat exchange material, heat-treated plate and US common alloy sales.	• Ongoing assessment of concentration risks as part of product/market strategies. • Common alloy risk in USA is a particular focus with the recent filing of the anti-dumping petition. • Execution of direct route to market strategy in the US in progress. • Align Hulamin automotive strategy with the South African Automotive Master Plan 2035. • Can stock qualification in North America.	Pillar 1	Stable
13.	Operational	**Cost competitiveness** Increasing input costs of material, energy, labour and logistics not compensated for by increases in conversion fees could lead to gross margin squeeze. This would be exacerbated by constrained demand and low production levels, given the high fixed cost nature of Hulamin's manufacturing cost base and/or stronger currency levels.	Reduced profit margins resulting in reduced levels of free cash flow generation. This would impact the ability to achieve business plans and deliver on strategic imperatives, given limited financial resources.	• Drive operational excellence programmes to improve productivity, throughput and efficiency. • Ongoing execution of cost reduction programme. • Investments to debottleneck product streams with excess demand. • Develop alternative markets for sales of common alloy material to optimise production levels. • Increased focus on capital allocation and optimisation.	Pillar 1 Pillar 3	Increasing
14.	Financial	**Restricted access to/high cost of capital for growth** Operational underperformance and constrained outlook, combined with low levels of cash flow and increasing leverage, would restrict access to suitably priced capital for growth. This would be exacerbated by decreased investor confidence in South Africa, country credit rating downgrades and capital outflows, together with increased risks in the global macro-economic environment.	• Impaired liquidity. • Restrictive covenants. • Refinancing on less-favourable commercial terms. • Inability to raise capital to pursue growth objectives.	• Financial and operational delivery to meet cash flow targets and reduce leverage. • Regular and proactive updates to lenders and investors. • Clear and compelling strategy and investment case supported by robust feasibility investigations for growth and expansions.	Pillar 2 Pillar 3	Increasing

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
15.	Operational	**Operational stability*** This relates to various risks that could result in unplanned operational and reliability interruptions. These include: • Supply chain disruptions, including those related to primary and scrap aluminium, alloying elements and other materials, consumables, energy, labour and other services; and • Site production risks such as critical machine breakdowns, or disasters such as fire.	Incidents causing operational instability would lead to a loss of production, impacting profitability. In addition, this may result in customers seeking alternative supply and loss in market share.	• Asset management programme in place to manage reliability and maintenance of critical machinery, including appropriate access to spare parts and critical components. • Implementation of actions to reduce asset risks through prioritised capex plans. • Investment in fire protection systems. • Comprehensive insurance cover in place for machinery breakdowns and supply chain disruptions as a means of transferring risk and mitigating the impact of a disaster. • Ongoing engagement with labour unions and maintaining labour stability. • Crisis management, emergency response and contingency plans are in place to respond to disasters or emergencies. • Tracking of plant key performance indicators, quality controls on input material and operational procedures are in place. • Ongoing skills development programmes.	Pillar 1	Increasing
16.	Financial**	**Medium-term Rand strength** Risk that the South African Rand strengthens against the US dollar and remains at a stronger level for an extended period, impacted by global geopolitics and macroeconomic conditions and South African political and economic stability. Hulamin's profits are highly sensitive to currency levels as the group's conversion margins, particularly in its Rolled Products segment, are largely US dollar and Euro denominated, whilst the group's manufacturing costs are largely Rand-based.	A significantly stronger Rand would have a significant negative impact on Hulamin's profitability and cash flows. Over time, changes in foreign exchange rates may also impact the company's long-term competitiveness and earning capacity.	• Ongoing focus on improving conversion fees and sustainably reducing costs. • Focus on maximising production within a stable plant. • Improved prioritisation of capital expenditure. • Hulamin entered into zero-cost collar transactions on its foreign-denominated conversion margins in 2019 in order to secure a floor to the currency levels whilst providing some exposure to increased levels of weakness. • A sharp fall-off in underlying demand combined with extreme currency volatility could, however, result in hedge losses, as has been the case in 2020, precipitated by the COVID-19 pandemic.	Pillar 1 Pillar 2 Pillar 3	Decreasing
17.	Operational (Information Technology)	**Cybersecurity** Hulamin's operations and its interactions with its customers, suppliers and other stakeholders increasing rely on technology platforms to facilitate service delivery. The increase in cybercrime globally has heightened risks relating to disturbances in critical IT systems, business processes and operations as well as the unauthorised access to confidential information and knowledge.	• Disruption to production and other business processes resulting in on-time delivery failures. • Financial losses resulting from the theft of information or money, corruption of data, business disruption losses and the loss of customers. • Reputational damage, including loss of customers. • Fines and regulatory sanctions.	• Strengthen IT governance structures and related internal controls, including disaster recovery management. • Information security policy. • Ongoing improvement of information security environment and drive compliance with industry best practice. • External assurance regarding IT security risks and control measures. • Cyber insurance. • Employee user cyber security awareness and training. • Enhance internal cybersecurity capability in line with the target IT operating model.	Pillar 1	Increasing

* *Risk impacted by COVID-19*
** *Financial risks detailed in Chief Financial Officer's review on pages 40 to 47.*

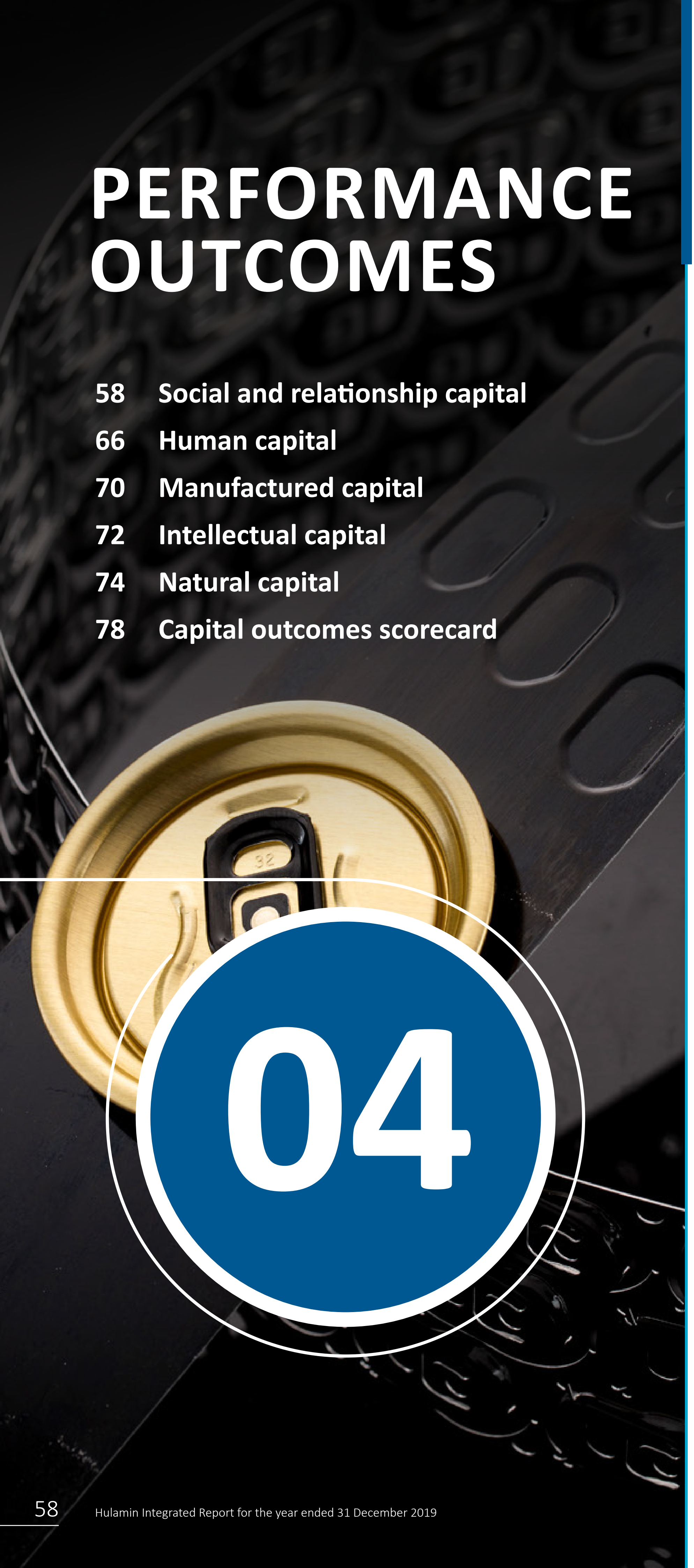
RISK MANAGEMENT CONTINUED

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
18.	Operational (safety and health)	**Safety and health*** Hulamin operates in an environment that exposes its employees and other stakeholders to potential health and safety risks. A deterioration in safety performance can result from a failure of critical infrastructure or unsuccessful implementation of, or non-adherence to, safety procedures. The recent COVID-19 pandemic has placed increased challenges on the system, however, robust and stringent health, safety and hygiene measures have been put in place and rigorously monitored.	• Fatalities, injuries and occupational diseases. • Reduced employee morale and engagement. • Operational and customer delivery disruption. • Reputational damage, increased regulatory and stakeholder scrutiny. • Legal consequences, fines and penalties.	• Established group safety leadership forum and governance structures. • Safety training for all employees on at least an annual basis. • Behaviour-based safety and visible-felt leadership programmes ongoing in all areas. • Intensified behavioural interventions. • Strict safety procedures and routines are in place. • Robust risk management processes. • All incidents and accidents are registered and classified in incident reporting systems, with specific controls to address root causes of safety incidents. • External assurance is obtained on a routine basis and Hulamin's sites are certified in accordance with the OHSAS 18001. • Increased health and hygiene measures implemented (detailed in risk 1 above).	Pillar 1	Increasing
19.	Operational (environment)	**Water scarcity** Water is a critical input resource for Hulamin's operations. The risks to the security of water supply in South Africa have increased in recent years due to climate change, a rise in consumption and a deterioration in water availability and quality	• Disruption to manufacturing operations, resulting in lower production levels and impacting on on-time delivery performance. • Increase in operating costs, due to increase water pricing.	• Detailed real time monitoring of water usage system undergoing ongoing development. • In the process of launching a program to recycle water on the Edendale site, with the potential to become a zero effluent plant in future. • Ongoing projects to reduce water consumption. • Water storage on site – 2ML reservoirs installed on both the Camps Drift and Edendale sites. • Ongoing engagement with the municipality regarding water supply.	Pillar 1	Increasing
20.	Strategic (climate and environment)	**Climate change** Local and international resolve towards low-carbon economy. Accelerating impact of climate change, and increasing global environment regulations	Increased regulatory and customer pressure on Hulamin's carbon footprint. This is particularly challenging given the significant reliance on coal-powered electricity in South Africa combined with the high-electricity intensity of primary aluminium production.	• Implementation of environmental sustainability strategy. • Registration for Aluminium Stewardship Initiative (ASI) completed with certification programme to be launched by August 2020 to achieve certification by 2022. • Weatherproofing of the main Edendale plant buildings ongoing.	Pillar 1 Pillar 3	Increasing
21.	Operational (digital technology)	**Digital technologies** Develop capabilities to use digital technologies to improve manufacturing capabilities, value chain collaboration and competitiveness.	Leverage product and process know-how, achieve enhanced production efficiencies and cost reduction, improved agility and closer customer collaboration and service improvements	• Implement digitalisation roadmap and strategy.	Pillar 1 Pillar 2 Pillar 3	Increasing
22.	Operational (human capital)	**People/attracting and retaining talent** Lack of access to and difficulty to attract and retain qualified and skilled employees critical to achieving the company's strategic and operational objectives	• Failure to execute and deliver on strategic objectives. • Potential impact on sales and operations, new product development and market confidence. • Increased employee attraction and retention costs.	• Identify potential future critical skills and leadership talent risks and proactively implement mitigation measures. • Advance the talent management programme and succession planning process. • Structured recruitment process to ensure the hiring of competent and skilled employees. • Leadership development programmes. • Ongoing focus on improving diversity and gender representation.	Pillar 1 Pillar 2 Pillar 3	Increasing

* *Risk impacted by COVID-19*

	Risk category	Risk name and context	Impact on Hulamin	Risk mitigating activities and controls	Strategic focus areas impacted	Risk trend
23.	Financial	**Credit*** Hulamin's business units are, by the nature of their operations, exposed to the risk of financial loss resulting from the failure of a counterparty to meet its financial or contractual obligations when due. This risk has increased dramatically as a result of the COVID-19 pandemic as well as the downgrade of South Africa to junk status, resulting in its increased risk rating.	• Financial loss due to customer or counter-party default, with attendant adverse liquidity and profitability impacts. • Reputational damage.	• Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed in conjunction with Hulamin's credit insurers and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or credit insurance (92% of Hulamin's trade receivables were covered by credit insurance at 31 December 2019). • Hulamin manages credit risk on financial counterparties by choosing counterparties with a good credit rating, by limiting the actual exposure per counterparty, and by agreements such as ISDA agreements. • Governance and management of trade receivable exposure by Hulamin's credit committee and financial counter-party exposure by the treasury committee is in place. • Increased engagement with and assessment of customers, in conjunction with Hulamin's credit insurers .	Pillar 1	Increasing
24.	Operational (fraud and ethics)	**Fraud, bribery and corruption*** Hulamin operates in an environment where instances of fraud, bribery and corruption can occur.	• Reputational damage to Hulamin and its stakeholders • Financial loss	• Well-defined Hulamin fraud & ethics policies • Regular fraud and ethics training for all employees • Anonymous whistleblowing structure managed by an external party • Fraud and ethics committee monitoring of prevention, detection, investigation and sanction activities	Pillar 1	Increasing
25.	Compliance	**Compliance** Hulamin operates in South Africa and is subject to local laws and regulation. In addition, it supplies its products to many different markets, with different local legislation.	Failure to keep abreast of legislative and regulatory requirements, or violation thereof, may result in financial penalties or constrain operations or market access. The company may also be affected by events of non-compliance that damage confidence in the company, its operations, or employees.	• Deployment of compliance policy and framework. • Ongoing monitoring of legislative and regulatory developments through external partners and changes in the company's business environment which could introduce new compliance requirements. • Ongoing communication and training of employees in relation to significant changes in legislation and regulation.	Pillar 1	Stable

* *Risk impacted by COVID-19*



PERFORMANCE OUTCOMES

04

Hulamin makes strides in its community

Corporate social investment (CSI) is today considered an integral part of doing business. Hulamin operates 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 it is located.

Hulamin's values of honesty and integrity, mutual respect, teamwork, working safely and responsibly, customer value, and transformation inform its behaviour, culture, activities and interactions within the business and at every touch point where the Hulamin brand interfaces with stakeholders.

The company has contributed significantly to the development of communities around its operations, as well as to the development of communities in the broader South African economy. These include initiatives in education, healthcare, welfare, crime prevention and the environment.

For Hulamin employees, contributing to the sustainability of the business adds a depth of purpose to their work.

Hulamin values transformation

CSI is part of the transformation agenda and is coordinated from Hulamin's Corporate Affairs Division. In addition, volunteers within the business may be sought for specific projects and called upon when required.

The Corporate Affairs Division's responsibilities include:

- Determining the CSI policy and strategy;
- Determining the CSI budget and allocation;
- Approval of selected projects for investment;
- Drawing up of contracts/grant agreements with selected projects;
- Monitoring the effectiveness of funded projects;
- External and internal CSI quarterly reporting; and
- Coordinating the implementation of an effective CSI communication programme.

The CSI programme is managed on a day-to-day basis by the Group Communications Department. Responsibilities include:

- Identifying, screening and selecting CSI projects;
- Managing CSI expenditure; and
- Managing the implementation of selected projects on a day-to-day basis.

SOCIAL AND RELATIONSHIP CAPITAL

The Hulamin Executive Committee is responsible for:

- Final approval of the CSI budget;
- Final approval of the CSI policy; and
- Monitoring the implementation and outcomes of CSI initiatives.

Reporting structure

Project reporting

The Hulamin CSI Committee meets quarterly to look through project requests and deal with approvals. As part of the standing agenda items, each committee meeting discusses:

- A status report on the CSI budget;
- A status report on the projects under implementation (in all three categories as indicated above);
- A projection of execution against budget; and
- The exact reporting formats and dates for report submission that are set out in the grant agreements to be signed by each of the major projects funded.

Management reporting

- The Group Executive: Corporate Affairs reports to the Executive Committee on a monthly basis;
- A report to the Hulamin Board's Transformation Committee is compiled bi-annually; and
- This report in turn is presented to the Board bi-annually.

Approach

As the biggest private-sector employer in Pietermaritzburg, and the only JSE-listed company in the region, Hulamin has a high profile and so receives numerous requests to provide both financial and non-financial support to an array of entities. A policy is therefore essential to guide the prioritisation of limited funds and resources. The policy is available on the sustainability section of Hulamin's website and from the Group Communications Manager's office.

2019 in review

Despite the tough economic times, and while undergoing a Section 189 restructuring at Hulamin, the company ensured its commitment to the Pietermaritzburg community by contributing R3.1 million in donations.

Following are some of the highlights of Hulamin's 2019 CSI project successes.

Nelson Mandela Ride for Hope

It is Hulamin's intended purpose to change lives. In keeping with this aim, the company took advantage of the Nelson Mandela Legacy Ride4Hope initiative in 2019 to donate a prefabricated classroom to Lions River Primary School in Howick. The classroom was handed over on 3 August 2019, at the finish of the last leg of the ride.

The Nelson Mandela Legacy Ride4Hope was started in 2018 with the primary purpose of raising awareness of the Nelson Mandela Centenary in partnership with the Nelson Mandela Foundation. The Legacy Ride4Hope seeks to do this by means of a bicycle ride from the Mandela House in Soweto, Johannesburg, to the Nelson Mandela Capture Site in Howick, near Pietermaritzburg. The 550-kilometre, four-day ride makes stops at various towns in Gauteng, Free State and KwaZulu-Natal, making donations to schools along the route.

"Legacy Ride4Hope, in a short period of time, brought hope into the towns we rode through and left a lasting legacy," said event director, Luthando Kaka. "Through the event, we've seen various organisations making use of the Ride4Hope vehicle to make corporate social investment contributions as per their values and goals."

The event inspires and mobilises its participants (industry leaders, celebrities and cycling enthusiasts), partners and the general public to put something back into the communities the cyclists pass through.

Hulamin decided to participate in this worthy cause by assisting Lions River Primary School in Howick, which did not have enough classrooms to accommodate all its learners. The school's existing structure had a leaking roof and was unbearably hot on summer days and cold in winter. The contribution of the classroom has been of great benefit to all the 150 black, rural, underprivileged pupils at the school.

Comments from the riders

KID (Knowledge Integration Dynamics) Group Chief Executive Officer, Julian Field:

"Living in the city, we have little understanding of life in the rural areas. Visiting these schools and villages highlights that we need to focus development at grassroot level. An exciting but humbling ride!"

Sasol Senior Manager – Petroleum Economics and Portfolio, Motlokwe Sebake:

"Riding over 500 kilometres in four days served as a reminder of the hardships that people in this country go through daily. At the activations we got to interact with the school kids and seeing the impact it had on them made all the difference. This was truly a life-changing event and I will keep coming back to support this worthy cause. Bicycles do change lives!"

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

Pietermaritzburg's Khanyisa outreach programme

Hulamin prides itself on its contribution, for two consecutive years now, towards Pietermaritzburg's Khanyisa outreach programme.

In 2019, this programme enabled 120 black South African children from various schools in the uMgungundlovu district to benefit from a tailored programme of Mathematics, Physical Science and English tuition. The children were carefully selected by the Department of Education from "underperforming schools". Lessons were facilitated by Maritzburg College staff, during six Saturdays each term.

At least 20 educators from the selected underperforming schools were also invited to attend teacher development sessions once every fortnight. The purpose behind inviting these teachers was to equip them with the teaching skills that saw Maritzburg College achieve an 81.2% matric bachelor's pass rate at the school in 2019. It is hoped that this will enable these 20 educators to go back and make a greater impact at their schools.

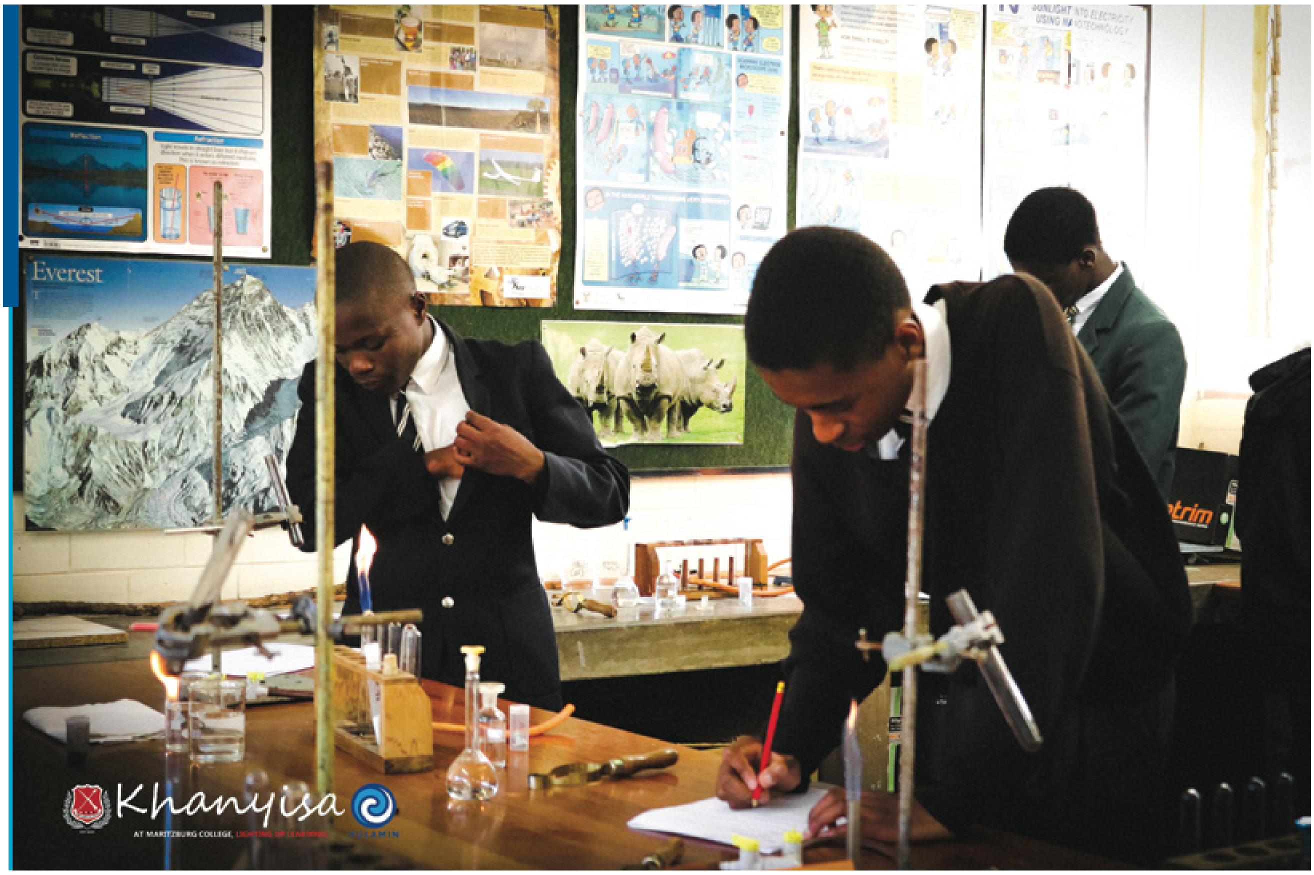
Having seen the success of the Khanyisa programme, Maritzburg College has decided to extend the programme in 2020 by including Robotics, Entrepreneurship and Life Skills tuition, in order to further enhance the holistic development of the students.

Commenting on Khanyisa's success, Maritzburg College's Tsepang Setipa (Director: College Business) cited feedback from the September 2018 qualitative evaluative study undertaken by Professor Marguerite Maher, Dean of Education at the University of Notre Dame, Australia. This study sought to establish key elements that Khanyisa participants considered important in the ongoing success of the programme. The feedback suggested positive outcomes noted by Khanyisa learners. These included higher marks; an improved sense of self-efficacy and enhanced capacity to apply for scholarships for university study; vastly better employment prospects; and the flow-on effect resulting in improvement in other curriculum areas because of their self-belief, increased motivation, and superior English literacy.

Setipa further stated that Khanyisa continues to see a substantial improvement in the Mathematics, Physical Science and English grades of learners who participate in the programme – in some cases from around 30% to over 80%.

"I cannot thank Hulamin enough for enabling the opportunity to facilitate this programme," said Setipa. "Without Hulamin this programme would not be possible."

The programme supports the fourth goal of the United Nations Sustainable Development Goals – to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all – and is aligned with the Department of Education's vision of delivering quality education.



Ima Nathi Programme

Towards the end of 2019 Hulamin, together with local cement company Afrisam, jointly sponsored the development of local youth football in Msunduzi through the Ima Nathi Programme. Hulamin's contribution is R1.5 million over the next three years.

The Ima Nathi Programme was devised by Safa (South African Football Association) in collaboration with Grinsport, to train coaches to develop boy and girl football players aged six to 18. It is an initiative being rolled out to Safa-controlled Local Football Associations (LFAs) countrywide. This initiative is part of Safa's "Vision 2022" programme, which aims to train up to 10 000 coaches by 2022.

The Ima Nathi Programme is designed to get corporate South Africa involved in Vision 2022 and qualifies as socio-economic development in terms of the laws covering the objectives of Broad-Based Black Economic Empowerment (B-BBEE), as defined in the revised Codes of Good Practice. Accordingly, Hulamin's sponsorship of R1.5 million in 2019 earned the company full points on the B-BBEE scorecard for this element.

Grinsport's Clive Grinaker explained that Ima Nathi had, for the first time in South Africa, already launched 40 girls' teams, and around 800 girls between 10 and 15 years old have been introduced to the sport.

What does the Ima Nathi Programme offer?

- FIFA instructors deliver coaching courses to all teams in the LFAs.
- One coaching course can qualify 35 coaches.
- A life skills programme is included in the coaching courses for all ages.
- Coaching is for both boys and girls from six to 18 years old.

Every team will eventually have a D-licensed coach, moving upwards to a C-licence and then a B-license. These coaches will stay with their team for the full season (year), and will coach players twice a week and once on the weekend. They play a match every weekend and team coaches will drive their team to every match – home and away. Coaches will watch their players perform, so that in the weekday coaching sessions they can improve each player. These coaches will be responsible for developing the future football talent throughout the community.

A-licensed coaches will assist throughout, explained Grinaker, and "the best 16 players in each age group will go to the emerging talent centre twice a week to be coached by these A-licensed coaches. The best of these will go on to the academy."

Administrative support

The Hulamin sponsorship funds the rental of a safe and secure regional and local football association office. With a safe environment, computers, printers and other vital administrative equipment can enable the proper functioning of the regional and LFA affairs.

The Ima Nathi Programme also funds the ongoing training of the General Secretary and other vital office personnel, who are required to run an extremely professional and effective office for both the region and the LFA, so that the football leagues and players get the very best management.

In 2019, every team was supplied with new, quality soccer shirts. This has given children who were previously unable to afford to play in the clubs an opportunity to participate.

The Msunduzi Ima Nathi Programme was launched in Northdale on 22 October, 2019, and has already received a favourable reaction from the many communities that Hulamin has engaged with. They feel that this Hulamin sponsorship has:

- restored the pride that the community had lost as a result of problems with service delivery and other areas where the community lacks support;
- unified the community through the benefits that the Ima Nathi programme offers the participating boys and girls from Msunduzi local communities;
- given confidence to the community that local corporate citizens, in the form of Hulamin, are seen to care for employees and the entire community.

SOCIAL AND RELATIONSHIP CAPITAL CONTINUED

Hulamin is on a mission to grow downstream aluminium fabrication and beneficiation in South Africa.

Aluminium beneficiation initiative

It was something of a “new beginning” for the Aluminium Beneficiation Initiative (ABI) in 2019. Under new leadership installed in the latter part of 2018, the vision and modus operandi of the ABI was revisited, and work began on redirecting activities and aligning them with the entity’s goals and objectives. Much of 2019 was occupied with rebuilding, re-establishing and reconnecting. The ABI partnered with a business incubation partner, Raizcorp, to provide support to entrepreneurs who joined the ABI programme.

ABI objectives

Hulamin’s vision is to identify and support 100 entrepreneurs in the aluminium fabrication sector, and guide them to becoming sustainable businesses within two years so that each of these businesses attains an annual consumption of at least 50 tons of aluminium.

The core goals of the ABI are:

- To identify entrepreneurs that are currently using or could use aluminium to manufacture downstream aluminium products;
- To identify black entrepreneurs who could become suppliers to ABI founders and to the broader South African aluminium industry; and
- To identify factors that inhibit the growth of these entrepreneurs, and to propose and facilitate strategic interventions to overcome these constraints, so as to catalyse growth in aluminium fabrication/beneficiation in South Africa.

The ABI approach

The ABI approach is encapsulated in its value proposition of “identify, connect and sustain” and involves the following:

- Identifying a pool of “high-impact” entrepreneurs in aluminium fabrication;
- Catalysing a network of resources through partnerships and networking to increase ABI capacity and capability to support the growth of these entrepreneurs; and
- Facilitating targeted business support that addresses specific challenges related to growing selected entrepreneurs.

Qualifying ABI participants are expected to be at least 51% black owned and/or 30% black women owned. Prospective participating entrepreneurs are either at an early development stage or at a growth stage, but could also be at a more mature stage in their business cycle. A structured selection process precedes an invitation to qualifying entrepreneurs for them to participate in the ABI programme. This selection process incorporates an audit of the entrepreneur’s business compliance, due diligence, an entrepreneurial assessment, and a business presentation by the entrepreneur.

There are specific strategic interventions that the ABI has implemented, and these include:

- Tailored business incubation and development through the Raizcorp programme;
- Technical and professional support;
- Marketing support;
- Coaching and mentorship; and
- Facilitation of business funding.

Governance structure

The ABI is overseen by a board of directors that is comprised of founder representatives (Hulamin and South32) and an Executive Director. Governance is in accordance with the NPC’s codes and relevant regulatory and statutory requirements.

Sowing the seeds of success in 2019

In 2019, the initiative saw five entrepreneurs join the ABI programme, with the first incubation programme starting in June. These businesses are engaged in the construction sector, packaging, and general engineering. Progress has been solid and each of these entrepreneurs has reported learning that has had a positive impact on their business goals.

Alu-Desert Glass and Aluminium (Pty) Ltd

Alu-Desert was incorporated in 2017 and the company is owned by Logandhra Naidoo. Logandhra is a registered professional chemical engineer, who has developed a passion for the construction and manufacturing industry. In addition to his science degree, he has also completed an MBA.

The company specialises in the manufacture, assembly and installation of customised architectural fixtures and fittings, including various door configurations (folding, sliding, garage, and so on), shopfronts, windows, etc. Project types undertaken are in the new residential, commercial and retail sectors, where work has included alterations, renovations and upgrades.

Logandhra successfully negotiated the selection process and embarked on the Raizcorp Arize development programme in June 2019. He has just passed the six-month stage of business support and will complete the programme in June 2020. He has the following comments with regards to this intervention.

"The Raizcorp Arize programme is highly insightful, offering entrepreneurs the practical tools and guidance to be successful. I found the white session – a presentation to a mock investment committee – to be most useful. The feedback and guidance from this session has enabled me to reassess my business strategy. The one-on-one guiding sessions prompt the entrepreneur to think out of the box for practical, implementable solutions to business challenges. Overall, a great practical, value-adding programme."

The target for 2020 is for 20 new entrepreneurs to join this programme and the ABI anticipates an increasing positive impact on growing downstream aluminium beneficiation.

Enterprise and supplier development

Hulamin values its role in developing the local community

In 2019, Hulamin focused on driving the implementation of its Enterprise and Supplier Development (ESD) policy, which it developed in 2018. Particular emphasis has been placed on creating a more structured ESD programme to identify and build a pipeline of local entrepreneurs who can participate in the company's supply chain. The aim is to grow larger, more sustainable suppliers to Hulamin and other organisations in the region.

Hulamin's ESD objectives

Hulamin is committed to developing local, black-owned businesses that can participate in the company's procurement spend, and develop and grow into sustainable, value-adding suppliers.

The specific objectives of Hulamin's ESD programme are as follows:

- To contribute to the development of small, local businesses (Exempted Micro Enterprises (EMEs) and Qualified Small Enterprises (QSEs)) that have a majority black shareholding – in particular black female and youth ownership – and that can become sustainable suppliers of goods and services to Hulamin, and to other businesses in the region;
- To grow the economic participation of majority black-owned enterprises in Hulamin's procurement spend, so as to more accurately reflect the demographic realities of the country; and
- To promote job creation in the KwaZulu-Natal region.

ESD approach

Hulamin's ESD approach focuses on the development of small, local, majority black-owned enterprises that are relevant to its supply chain requirements. The company grows these entities into sustainable suppliers that can contribute to the economy of South Africa.

Qualifying beneficiaries for ESD must therefore be EMEs or QSEs that are at least 51% black-owned and/or 30% black women-owned.

Certain strategic interventions that the company has implemented include:

- Favourable payment terms for emerging SD (Supplier Development) beneficiaries;
- Monetary and non-monetary support for majority black-owned enterprises, with the objective of improving their ability to compete at a larger scale within the procurement value chain;
- Management time devoted towards conceptualising, guiding and rolling out various elements of ESD;
- Capability and business maturity assessments of the company's existing ESD suppliers, around which viable development programmes can be structured for them; and
- Implementation of development programmes with ESD beneficiaries to provide training, mentorship and administrative support that is aligned with their specific development needs.

Governance structure

Hulamin's Enterprise and Supplier Development (ESD) Committee oversees the implementation of the company's ESD policy along with all associated activities and investments, and it approves Enterprise Development (ED) and SD contracts. Hulamin's ESD committee also reviews progress against the ESD objectives and reports to the Social, Ethics and Sustainability Committee, a sub-committee of the Board.

ESD spend

The estimated ED and SD spend for 2019 was R5 150 136. This represents a substantial reduction of the 2018 ESD spend of R10 284 311, and is indicative of the extremely challenging business conditions faced by Hulamin during 2019. The 2019 spend includes grant funding contributions, shorter payment term benefits, senior management time taken up with ESD activities, and third-party support costs in the form of developmental assessments, advice and mentorship, and certain administrative support functions. A total of 49 companies participated in Hulamin's ESD programme in 2019 and received financial or non-financial support.

An example of one of the successful enterprise and supplier development initiatives facilitated by Hulamin in 2019 is as follows:

SI Chemicals and Logistics

SI Chemicals and Logistics is a family-owned business part owned by Mthokozisi "Ralph" and Nomfundo Bhengu. With its current staff complement, SI Chemicals collectively has almost 10 years' experience in the chemical, paint, petrochemical, logistics and local hazardous materials handling industries.

One of the key levers in Hulamin's ESD approach is to facilitate the development and growth of SMMEs through partnerships with larger, more established incumbent suppliers. This is done to facilitate skills and intellectual property transfer, to fast-track the SMMEs' development, and to provide the SMMEs with exposure to larger contracts.

As part of a joint ESD initiative with Hulamin, The Valspar (South Africa) Corporation (Pty) Ltd – a key supplier of coatings and petrochemical products to Hulamin – sub-contracted a portion of its scope of supply for Hulamin to SI Chemicals. As part of this arrangement, SI Chemicals is being trained and up-skilled in:

- Inventory management and stock replenishment philosophies;
- Compliance with Hulamin standard operating procedures (SOPs), and safety and quality standards;
- Compliance with all applicable laws related to the import, export, transportation, storage, handling, distribution, disposal, labelling, promotion and sale of the products, including obtaining any applicable import/export licences and broker licenses;
- Compliance with relevant SANS Codes of Practice, as well as the National Road Traffic Act (Act 93 of 1996).

The success of this particular initiative has been characterised by measurable job creation in the KwaZulu-Natal region and the upliftment of skills at SI Chemicals, which is now able to operate independently and sustainably in the industry with little ongoing developmental support.

HUMAN CAPITAL

A stagnant economy, as well as other international challenges, necessitated a restructuring process at Hulamin in 2019.

As the biggest employer (outside of government) in KwaZulu-Natal's capital city of Pietermaritzburg, the resultant retrenchments were an unfortunate development that had a negative impact on the lives of employees and their families.

The process was implemented with great respect for employees, and included a support programme for workers and their loved ones that provided counselling throughout the retrenchment process. Employees were also offered additional support, including professional career advice, counselling and reskilling.

Before any action was taken, Hulamin engaged all recognised employee representatives in a solution-oriented process, and all applicable legislative and consultation procedures were followed.

The restructuring process included voluntary separation, early retirement and redeployment, and has now been concluded.

Hulamin's operating performance is greatly dependent upon the skills and continued efforts of its people, and the company endeavours to acquire, develop and retain the best talent. The company organisational culture seeks to offer employees an inspiring and challenging career life, supported by a self-driven, learning culture, along with team collaboration and an agile way of working.

Approach to Human Capital

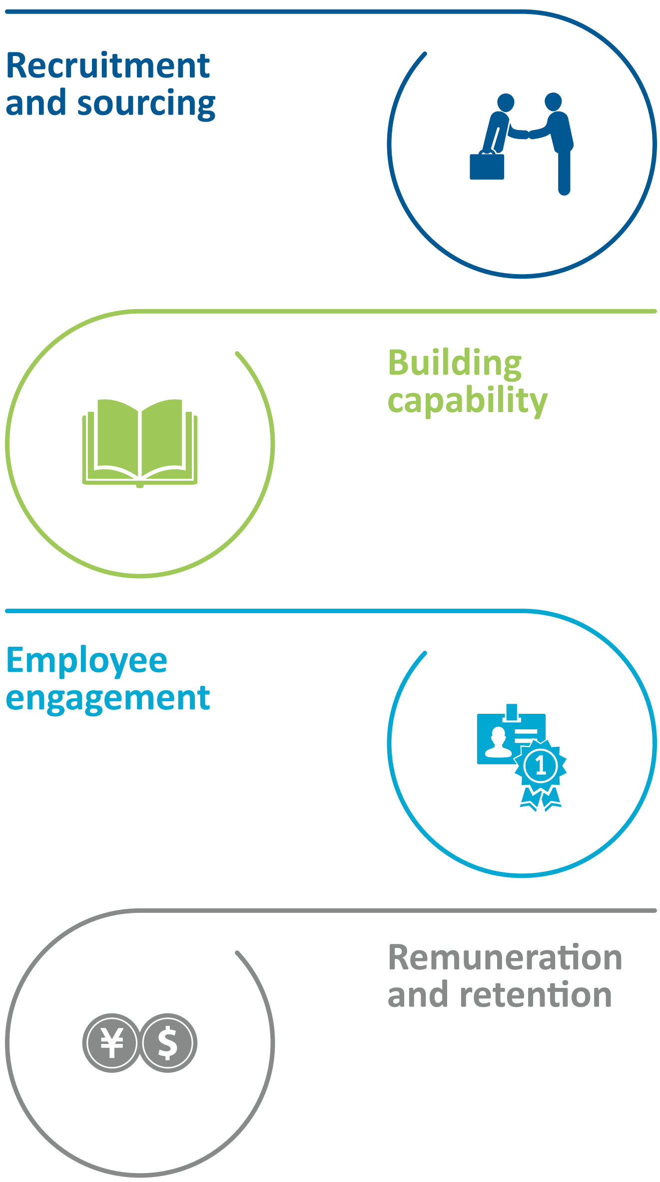
As technology changes, so the labour market evolves. Understanding and responding to these changes, characterised by an agile way of working, enables Hulamin to continually adapt its approach to people issues.

In 2018, Hulamin adopted integrated human resources (HR) processes, built on a number of initiatives intended to improve the organisation's HR process.

The HR process illustrated below spans the entire end-to-end employee experience in the organisation, from recruitment and sourcing to building capabilities, employee engagement, and reward and retention.

The implementation and progress of the plan is monitored through organisational performance and review forums.

Human resources process



Governance

The ultimate oversight for HR sustainability effectiveness lies with the Group Executive: Human Capital. The executive management committee (EXCO) led by the Chief Executive Officer (CEO) approves the plan, and monitors progress through monthly reports and HR performance dashboards.

Building capabilities

Hulamin's learning philosophy revolves around three central aspects of learning: self-driven learning, learning through team collaboration, and an agile learning environment. The company believes that people learn every day, through experiential, social or formal avenues.

An important element of this philosophy is learning as a part of everyday work, through handling a varied range of tasks. This is specifically encouraged at Hulamin, particularly through opportunities to participate in cross-functional teams in continuous improvement and process-optimisation projects.

Learning and development indicator

From Hulamin's perspective, the following are the opportunities the digital era offers for the learning and development ecosystem at the company.

- Creating fit-for-purpose learning solutions to solve actual business problems.
- Applying real-time learning that provides guidance and performance support.
- Embedding learning as part of the job.
- Doing more with less.
- Making optimal use of emerging technologies and infrastructures – weighing up cost and business benefit.

Investing in our people

Hulamin is committed to developing the skills, knowledge and capabilities of its employees. As shown in the diagram below we consistently score more than all key indicators, with the exception of meeting demographic targets as per the Economic Active Population (EAP).

Total skills development spend
R39m
2018: R47m
2017: R65m

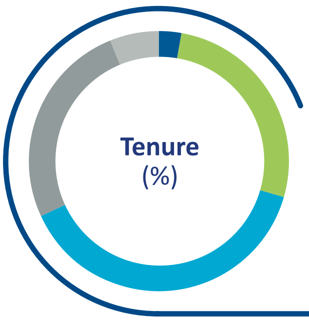
Skills development spend on black employees as a percentage of levy amount
3.6%
2018: 4.4%
2017: 6.9%

Skills development as percentage of levy amount
3.4%
2018: 4.2%
2017: 4.1%

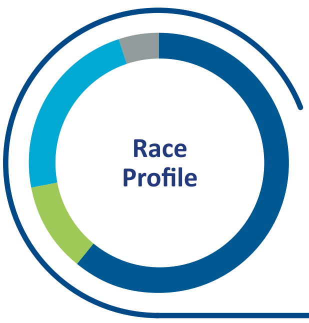
Skills development score: Total of 25
15.57
2018: 21.81
2017: 23.07

2017/2018 figures as per annual B-BBEE certificate issued in March 2019.

Hulamin workforce demographics

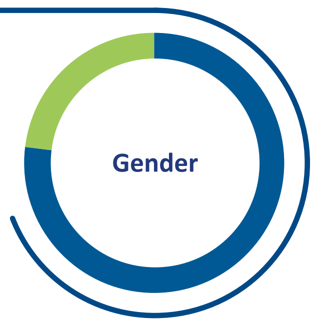


Less than 1 year	3%
1 – 5 years	27%
6 – 15 years	39%
16 – 30 years	26%
31 and more	6%



African	61%
Coloured	11%
Indian	23%
White	5%

Male	77%
Female	23%



HUMAN CAPITAL CONTINUED

Safety

Philosophy and why it is important

Hulamin is committed to the wellbeing of employees and to providing a safe working environment that ensures that the business continues to function effectively and efficiently.

The company continues to focus on enhancing safety systems and acquire the most recent industrial safety standards to eliminate or minimise the potential harm from the risks and hazards. It is important for us to ensure that our machinery is operated safely and that employees are protected from injury or harm due to incidents or exposure. Hulamin seeks to improve continuously its safety performance by measuring and monitoring both leading and lagging indicators that are aligned with the industry's best practices.

Governance

The Hulamin Executive Team is accountable for safety. There are formal structures in place to identify, evaluate and control operational risks. The Hulamin Safety, Health and Environmental, and Risk Committees formulate the strategy and standards, and drive the principles of management commitment through Visible Felt Leadership.

The three-way accountability model (team, line and specialist) ensures that all employees and contractors are aware of their roles, responsibilities and routines.

Hulamin is audited for verification and compliance in line with the OHSAS 18001 (Occupational Health and Safety) management standard.

A successful surveillance audit was conducted during April 2019.

Approach

The safety strategy was reviewed during the latter part of 2017. The vision remains ***zero harm*** and this is supported by our mission of ***living our values.***

The strategy has been developed to focus on three key elements:

- **Paper** – which includes all documented systems and review processes. The fundamental aspect of this element is to identify and manage risks.
- **Plant** – which includes all physical components of the operational process (e.g. equipment, product, materials, and tools). The fundamental aspect of this element is to ensure the correct component and that the component is in good condition.
- **People** – this element consist of two parts: supervision and individuals.
  - » Supervision focuses on leaders carrying out active management. This requires leaders to (1) be there (2) look to see (3) appreciate the risk (4) address appropriately (5) ensure compliance.
  - » Individuals need to be knowledgeable through training, skilled through monitoring and coaching, and have the correct attitude through coaching and consequence engagement.

This strategy is underpinned by the following principles:

- Risk-based approach
- Caring leadership
- Competent and committed workforce
- Best practice solutions
- Compliance to legal and statutory requirements
- Principles-based versus rules-based approach

Risk-based approach

This is the systematic approach utilising the "Plan, Do, Check, Act" principle. The OHSAS 18001 Health and Safety Management Standard and Occupational Health and Safety Act, 1993, are used for the framework of risk management.

Safety performance is tracked by means of a scorecard that reflects both leading and lagging indicators. Emphasis is placed on ensuring that we measure the correct leading indicators in order to achieve optimum results.

Caring leadership

During 2018 Hulamin, in partnership with Kinetic Leadership© embarked, on a journey to enhance the ability of the leaders to manage "Safety with the Brain in Mind". The focus was to equip leaders to be able to influence employees and to change their behaviour through changing their belief system towards working safely. Benefits of this approach are already visible and reflected in the improved safety performance of 2018.

Competent and committed workforce

A competent and committed workforce starts with a caring leadership. Training, development and coaching also contributes significantly towards this key principle.

Hulamin continues to invest in safety training and development programs to upskill safety understanding of employees. In addition, Hulamin is partnering with the Driver Bureau© on their Visual Performance Journey to enhance the visual ability of employees. While this programme was developed with the focus on improving the visual performance of vehicle drivers, Hulamin will extend this to enhance the visual performance of all employees.

Fitness for work

Hulamin has started to engage with service providers to focus on this aspect of employee competency. Addressing aspects such as fatigue, stress, substance abuse and other such challenges that employees face every day, is becoming a fundamental requirement to ensure a safe working environment.

2019 in review

Comparative historical safety performance

The key indicators that measure the safety performance of the Hulamin Group are shown in the tables below:

Lost time injury frequency rate

LTIFR	Rate	Number of incidents
2019 LTIFR	**0.14[LA]**	**5**
2018 LTIFR	0.05[LA]	2
2017 LTIFR	0.22	8
2016 LTIFR	0.03	1
2015 LTIFR	0.31	9
2014 LTIFR	0.08	2
2013 LTIFR	0.54	13
2012 LTIFR	0.33	9

Total recordable case frequency rate

TRCFR	Rate	Number of incidents
2019 TRCFR	**0.37[LA]**	**13**
2018 TRCFR	0.24[LA]	9
2017 TRCFR	0.58	21
2016 TRCFR	0.27	7
2015 TRCFR	0.99	28
2014 TRCFR	0.66	17
2013 TRCFR	1.00	24
2012 TRCFR	1.00	18

LA: Independent assurance provider's limited assurance

Health

Philosophy on why good health is important

Hulamin believes that the good health of its employees is essential. Good health is also essential for staff motivation, safety, capability and productivity. Enhanced employee health also contributes to reduced absenteeism and promotes good working relationships.

To this end, the company offers benefits to employees, and their family.

Hulamin has adopted a "shared responsibility" approach to the wellbeing of its employees. In this regard, the company equips employees with appropriate education and healthcare facilities for them to best manage their own health.

Governance

The Safety and Technology Executive leads the Employee Health Portfolio and reports to the CEO, who in turn reports to the Board of Directors.

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

Approach

A broad range of stakeholders are involved in employee health, including the Hulamin Board, management, employee representatives, employees' families, health practitioners and the employees themselves. Hulamin is dependent on its workforce for valuable skills and experience, and thus the consequences of poor health would affect Hulamin's performance across all indicators.

Progress is monitored through reviews conducted by the Safety Committee, the Health and Environment Committee, the Risk Management Committee and the Health Care Centre.

Three key components to managing health in the workplace are distinguished between:

- Occupational health.
- Occupational medicine.
- Occupational hygiene.

Occupational health is the promotion and maintenance of the physical, mental and social wellbeing of employees, in order to control risks. It also describes the adaptation of work to people, and people to their jobs. Occupational health deals with the prevention and treatment of injury and disease at work, including:

- injuries on duty,
- occupational asthma, and
- noise-induced hearing loss.

Hygiene surveys and medical surveillance programmes are conducted that comprise, *inter alia,* lung function tests, audiograms, and eyesight tests. Biological monitoring is also conducted where appropriate. The objective of these surveys and surveillance is to assist in determining whether the concentration levels of hazards conform to legal requirements.

The sources of hazards are addressed through various engineering methods to eliminate or significantly reduce risks. If this is not feasible then suitable personal protective equipment is provided, based on the assigned protection factor for respiratory equipment or the noise reduction rating for ear protection.

Health management

To manage the three components of occupational health, medicine and hygiene, a healthcare centre is staffed by employees with the appropriate skills, competencies and qualifications in the field of medicine and occupational health nursing practices.

The Hulamin clinic provides a comprehensive medical surveillance programme to employees. This programme is tailored around health risks that may have been identified by occupational hygiene surveys conducted in the manufacturing departments.

Annual audiometric testing allows for early detection of hearing loss and intervention where required. Sight screening identifies employees with reduced visual acuity and the necessary interventions required.

Medical surveillance also provides employees with the opportunity to acquire an individual health profile, and all employees are encouraged to be proactive about their health, as opposed to being reactive to ailments and illnesses.

A primary healthcare service is provided by the clinic to assist with the treatment of minor ailments and illnesses. Advice, guidance, counselling and referrals are given where needed, and flu vaccines are offered to employees every year.

Health and lifestyle issues are addressed, and ongoing relevant education and advice is given.

Non-medical aid employees are assisted by the clinic in the management of all chronic conditions. This includes diagnosis and treatment, education, ongoing monitoring, and follow up. This service is provided on site and helps reduce time spent off-site for monitoring, treatment and reviews.

The clinic also provides opportunities throughout the year for employees who wish to undergo HIV counselling and testing.

Pre-employment medicals are performed on all new recruits to determine a baseline health profile for each employee. Exit medicals are performed on all employees leaving the company, to document the status of their health on departure.

2019 in review

There were three noise-induced hearing loss claims reported in 2019.

No cases of occupational dermatitis were reported.

Total HIV management costs for 2019 amounted to R288 150,00 compared with R343 369,54 the previous year. The HIV management programme, which enters its 16th year in 2020, continues to assist approximately 60 non-medical aid employees with support, treatment and surveillance.

MANUFACTURED CAPITAL

A look back at our goals for 2019

- Hulamin's product mix swung towards the lighter gauges, shifting the plant constraint towards the finishing areas of the plant. Light-gauge mix was up by 6% in 2019, compared to 2018.
- A focus on coil-coating headroom projects resulted in a 10.7% improvement in throughput rates of the can stock stream.
- The focus on exploiting recycled material as inputs to Hulamin's casting process resulted in a 9.7% increase in scrap absorption, when compared to 2018.
- Performance yield for 2019 decreased to 67.5% (2018: 67.7%) due to a swing in the product mix.
- Overall production throughput for 2019 also decreased to 209 561 tons (2018: 229 842 tons) due to a softening demand in the North American market.

The focus for 2020

- Deployment of machine-learning technology in the Rolling division as a key enabler to improving performance yield. The performance yield target for 2020 is 68%.
- Continued focus on finishing headroom remains a key focus in reducing bottlenecks at the plant. The sales volume target for 2020 is 210 000 tons.
- Ramping up can stock production will continue in line with targets.
- A focus on exploiting the benefits associated with recycled metal units in the Metals division will continue in line with targets.
- Formalise and drive the execution of a cost-containment programme guided by the project hopper.

Manufacturing focus for 2019

As a result of a 6% shift in 2019 of the mix or order profile (light gauge products dominated the mix), there was a need to review Hulamin's rolling and finishing capabilities. The outcome of that review resulted in the following conclusions for manufacturing:

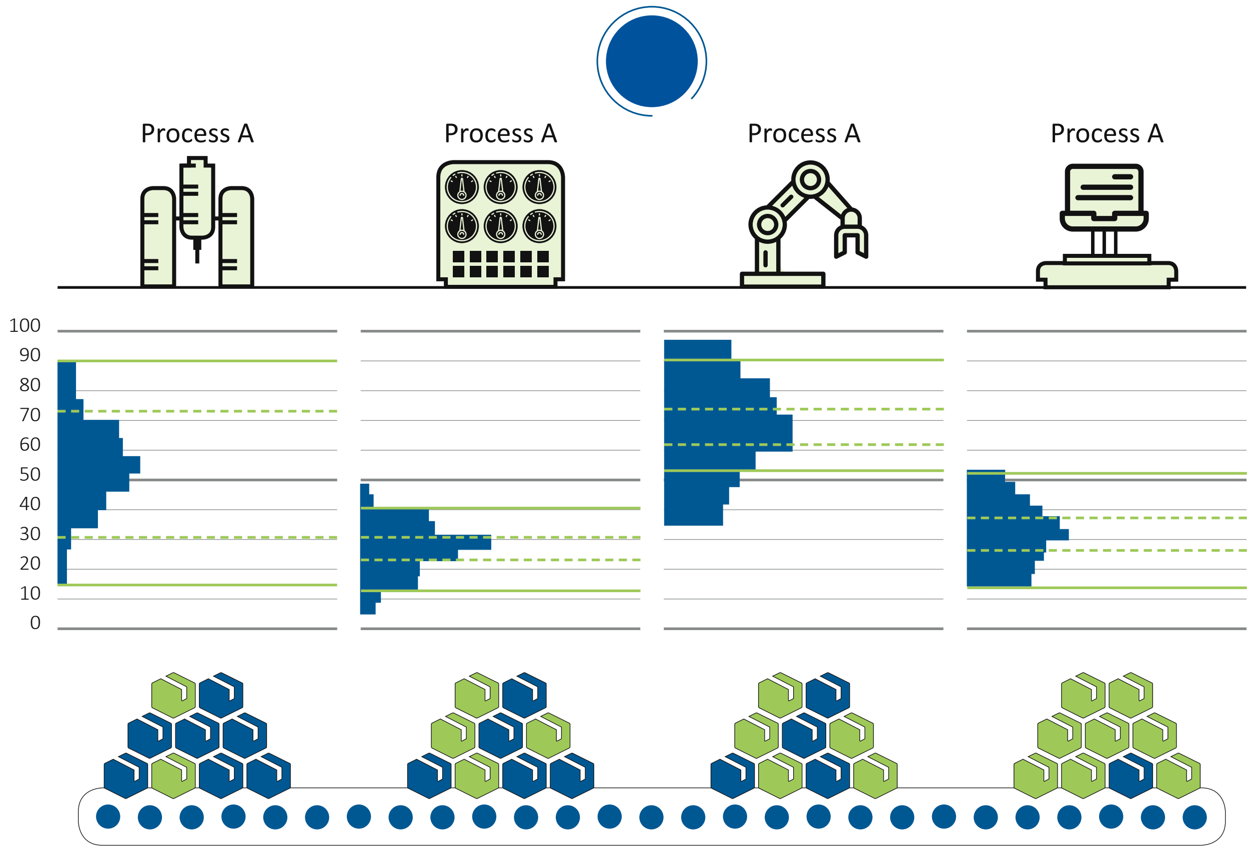
- Hulamin must develop and execute a finishing headroom plan; and
- Hulamin must determine the appropriateness of a machine-learning solution in the hot rolling process and, if warranted, deploy this solution.

Machine learning

In its efforts to continuously improve operational efficiencies, Hulamin initiated a machine-learning project in April 2019, in the Rolling division. The initial objective was to enhance process control and effect improved quality performance through Prescriptive Analytics.

What is machine learning?

Machine learning is an application of artificial intelligence (AI) that provides systems with the ability to automatically learn and improve from experience, without being explicitly programmed. Machine learning focuses on the development of computer programs that can access data and use it to learn for themselves.



Why machine learning?

As part of Hulamin's continuous improvement framework, statistical process control (SPC) techniques are applied as a key enabler to effecting process stability. Traditional process control often assumes that process variables work independently of each other. This makes the analysis simpler for the process engineer, and more practical for the operator. However, this approach can overlook how variables often interact, as described below.

Despite individual parameters being within accepted tolerances, the complex interconnectivity of a large number of process parameters may still result in low-quality products. Prescriptive Analytics can learn the complex relationships that exist between parameters.

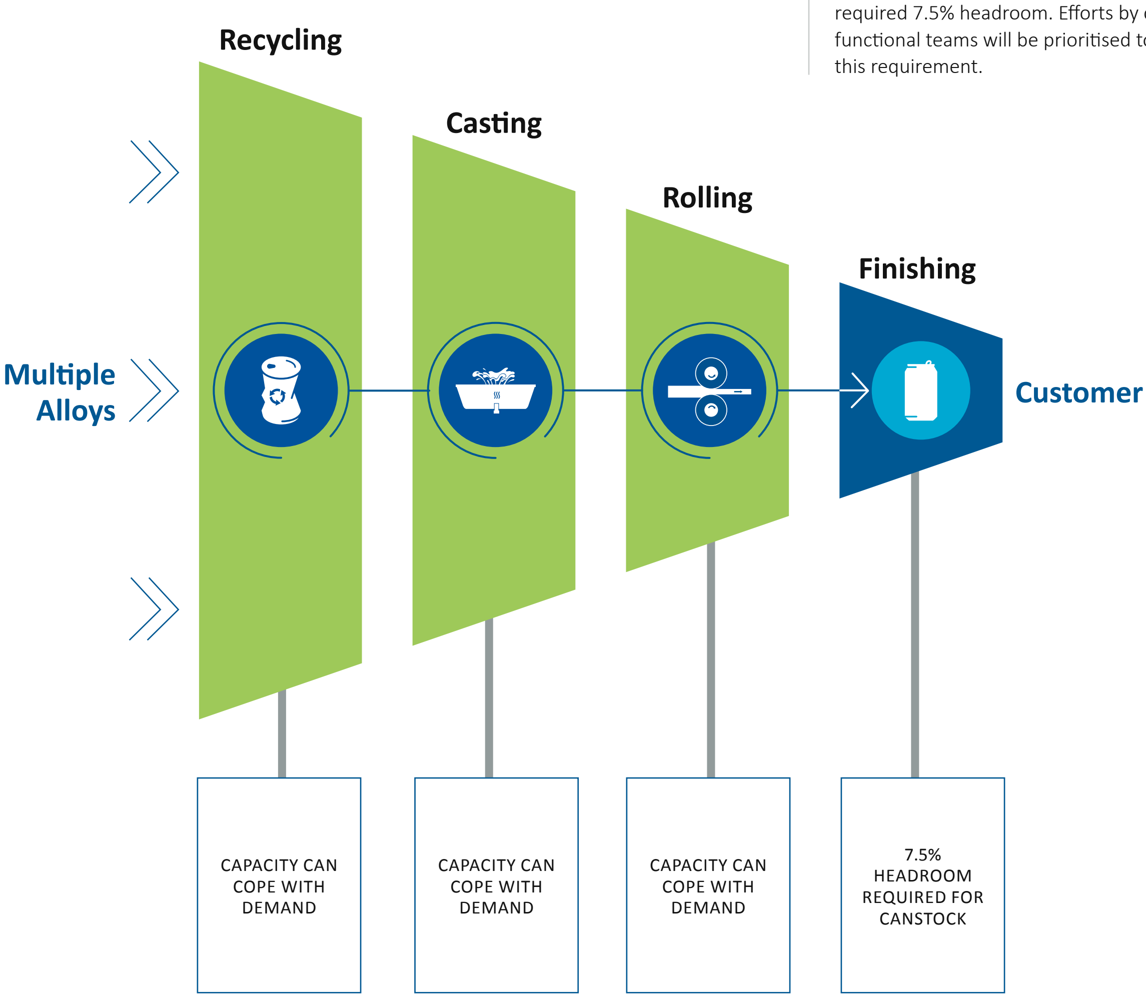
The project is progressing well. Trials for modelled prescriptions were conducted in November 2019, and further trials took place in February 2020.

Finishing headroom

Headroom can be understood as the additional capacity available in a machine centre beyond the committed demand.

A 10.7% improvement in can stock throughput was realised in 2019. Continuing with the 2019 improvement efforts to reduce bottlenecks in the Finishing division, headroom of 7.5% is required to meet can stock demand.

A combination of capex, continuous improvement principles, and process engineering will enable delivery of the required 7.5% headroom. Efforts by cross-functional teams will be prioritised to realise this requirement.

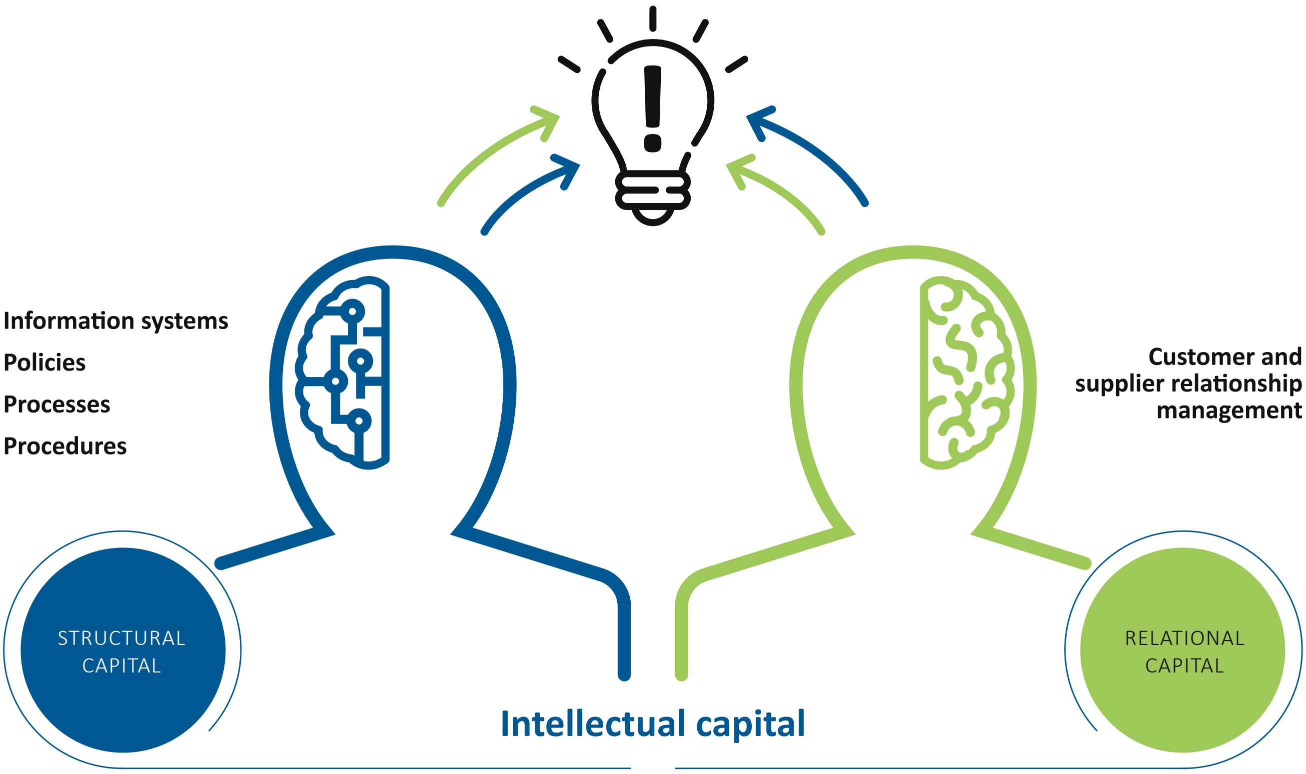


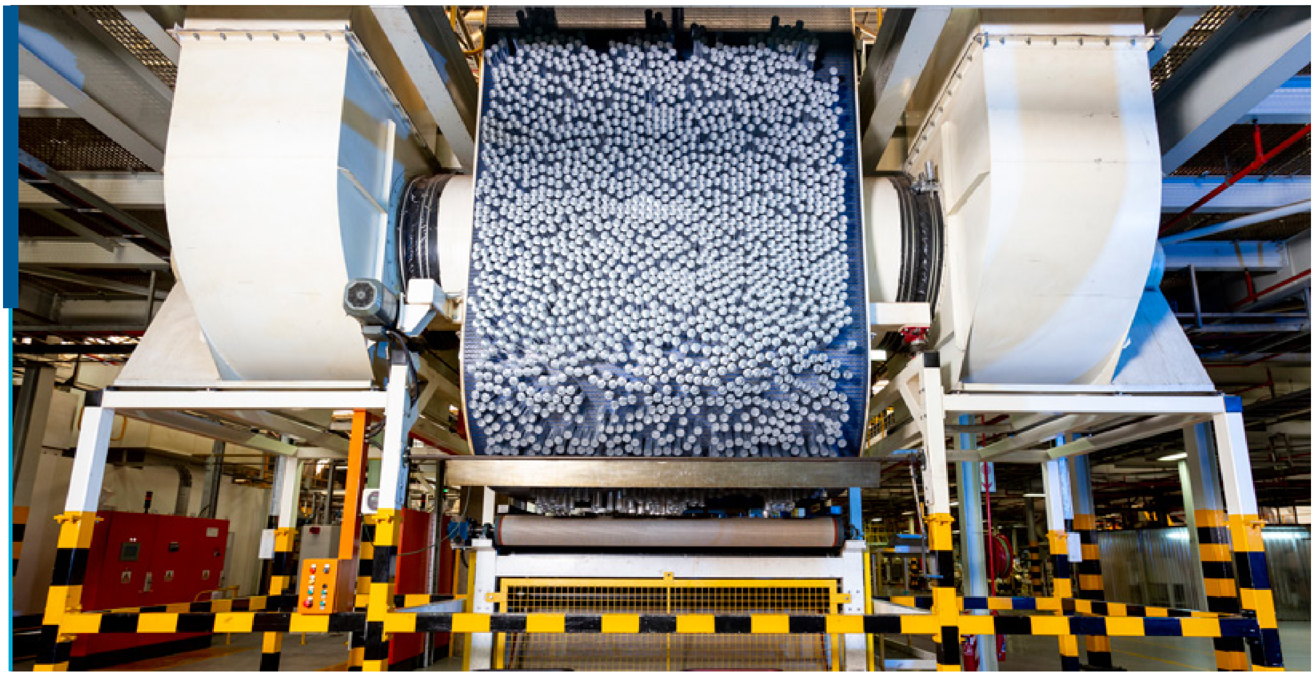
INTELLECTUAL CAPITAL

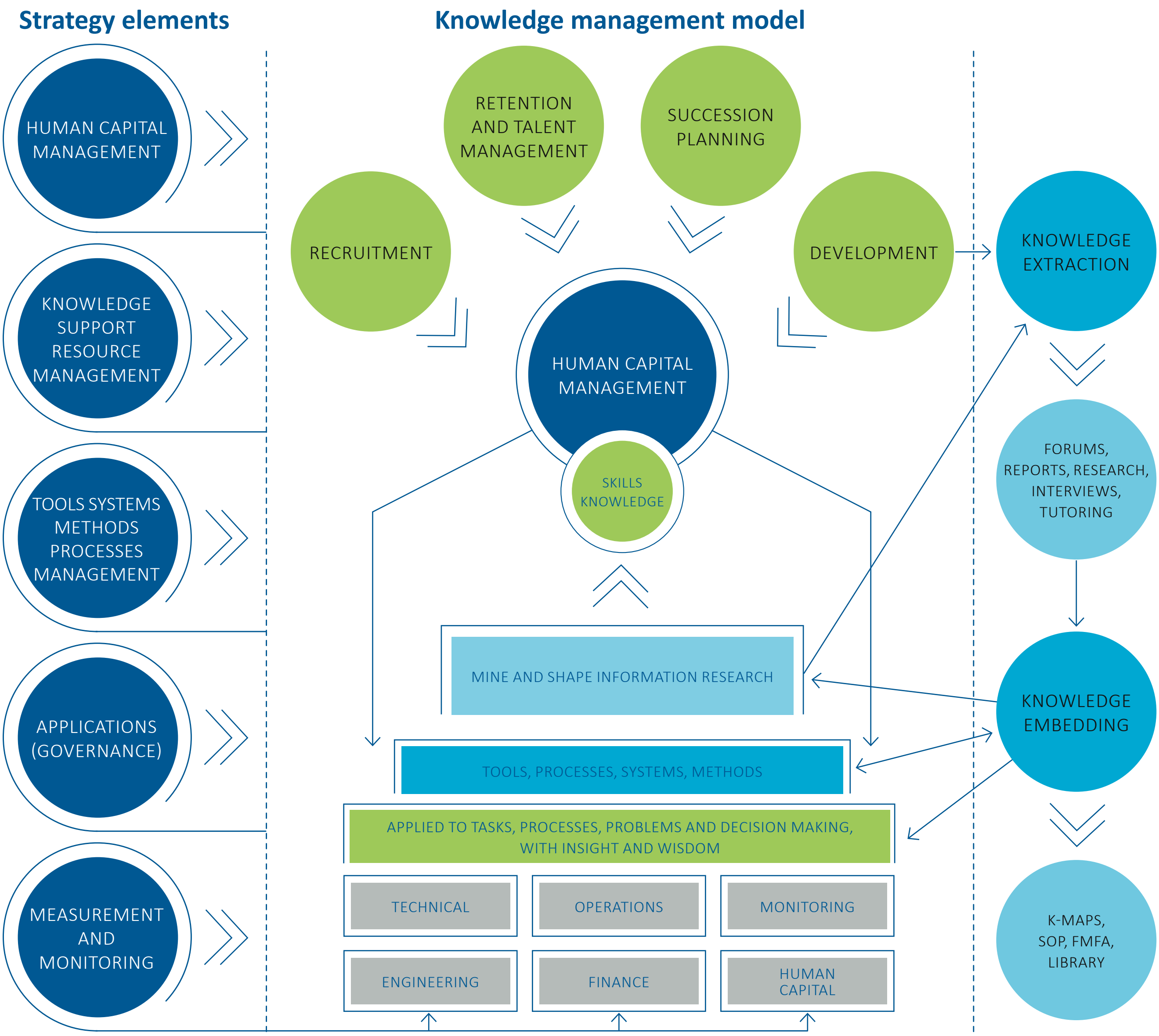
Intellectual capital encompasses the collective knowledge of Hulamin employees. It incorporates organisational and knowledge-based intangibles that includes structural and relational capital.

Purpose

The purpose of this review is to provide insight into the progress made in 2019 to advance knowledge management within the organisation.







A look back at 2019

Hulamin made further headway with knowledge management in 2019. Two areas of focus are discussed briefly below.

Structural capital

Hulamin's knowledge-management framework was formally documented. A reference model was developed and it provides a base for our knowledge-management strategy. The reference model is presented above:

Relational capital

The foundation for an integrated supplier-management system was initiated through management of the Incoming Raw Materials Project. A future-state process map has been documented and signed off.

The focus for 2020

- Development of Hulamin's knowledge-management strategy and roadmap.
- Close out phase one of management of the Incoming Raw Materials Project.
- Further enhancements to the K-Map system.
- Deploy a revised FMEA approach.
- Formalise the approach towards an integrated customer relationship management system.

NATURAL CAPITAL

Hulamin is committed to the responsible stewardship of natural resources. The company strives for zero harm to employees and the environment in which it operates.

Environmental sustainability is integrated into the strategic and operational aspects of the business, and continues to gain greater traction within company operations. To achieve environmental goals, Hulamin has strengthened its environmental sustainability management and reporting, and continues to demonstrate continuous improvement in this area – even in a challenging business environment.

Hulamin continues to march to the tune of global interests in reducing greenhouse gas (GHG) emissions, in line with ambitious targets to limit the uncontrolled effects of climate change. For South Africa to achieve its long-term commitments to the reduction of GHG emissions, industry is expected to contribute to national efforts, in accordance with the United Nations Global Compact's seventh principle that businesses should support a precautionary approach to environmental challenges.

Hulamin is supportive of all initiatives to reduce the South African GHG inventory. The company recognises the need to set more ambitious goals, as expected of it in relatively recent times. It also recognises that the efforts made to reduce GHG emissions will be made in an environment where considerations must also be given to the sustainable development goals in a developing country. Nonetheless, Hulamin welcomes the drive to participate and collaborate significantly in a fast-changing business environment.

Hulamin envisages that, by responding to the challenges of climate change, economic resilience and social success will result.

During 2018, Hulamin committed to setting a target to reduce GHG emissions in line with recognised climate change science. The current recommendations are to set targets to assist global ambitions to keep global warming to within a 2°C or at least a 1.5°C increase. The formal commitment for Hulamin to set this target was registered in 2019 with the Science Based Targets Initiative (SBTi). The SBTi was developed by the Carbon Disclosure Project (CDP), the UN Global Compact, the World Resources Institute (WRI) and the Worldwide Fund for Nature (WWF). Hulamin is currently in the process of developing the targets and expects to formally submit these for verification and public announcement in 2020. The targets will include Scope 1 (direct emissions) and Scope 2 (indirect emissions/ electricity) of the Hulamin Group. A Scope 3 GHG emission target will also be set. Scope 3 emissions are GHG emissions that are generated across the supply chain but are not under direct Hulamin control.

Governance

Hulamin has established a dedicated Environmental Sustainability Committee. The role of the committee is to review climate-related issues, develop environmental sustainability policies and strategies, support the development of environmental sustainability targets, and take decisions on environment/climate-related projects and investments. Key actions and investments related to environmental/climate issues are also considered as part of the ongoing Business Plan and Budgeting processes.

The Environmental Sustainability Committee includes representation from various functions in the business, includes several Executive Committee members, and is chaired by the Technical and Safety Director.

In addition, the Transformation, Social and Ethics Committee (TSEC), a sub-committee of the Board, currently incorporates environmental and climate-related issues into the overall strategic risk management scope. Progress is reviewed bi-annually.

In its strategic risk management processes, Hulamin undertakes an approach to risk management based on scenario analysis, which considers key uncertainties (risks and opportunities) that may have a material impact on the business in the time horizon being considered, and which may unfold under different scenarios (potential futures). These key uncertainties cover a range of topics, including environmental sustainability and climate change. Once the key uncertainties are identified, the potential impact (to EBIT and/or Enterprise Value) under different scenarios is modelled. Through this process, actions to mitigate risk are then developed to mitigate the impact of the uncertainties.

Stakeholder engagement

Customers. Many of Hulamin's customers are very aware of climate change and have formal programmes to reduce the carbon footprints of their products by collaborating with their suppliers and customers. Hulamin assists its customers by supplying information on carbon footprints and other issues of environmental sustainability from the manufacturing sites in South Africa under Hulamin's operational control.

The South African Department of Environment, Forestry and Fisheries (DEFF). For the second year, Hulamin formally reported the required GHG emissions from on-site stationary combustion to the DEFF. This is a statutory requirement that facilitates the Department of Environmental Affairs' endeavours to compile and track the South African national GHG inventory.

The Carbon Disclosure Project (CDP) is a global reporting system for GHG reporting. The CDP aims to make environmental reporting and risk management a business norm, and drives "disclosure, insight and action towards a sustainable economy". In 2019, Hulamin supplied its 2018 information in both the Investor Carbon Disclosure and the CDP Water Disclosure reports. The CDP is a useful guide, in that it challenges companies to develop best practices in climate-change reporting and response. The Hulamin 2018 CDP report was submitted with provisions to be made available to the public. It is expected that investors will access this report to make informed decisions on Hulamin's environmental sustainability.

The Energy Intensive User Group (EIUG) is a "non-profit association of energy intensive consumers whose members currently account for over 40% of the electrical energy consumed in South Africa. The members collectively contribute over 20% to the GDP of South Africa". Hulamin plays an active role in this business forum, which enables concerns about electricity supply and the current high emission factor of the South African national electricity grid operated by Eskom to be formally addressed. Hulamin monitors with interest the South African Integrated Resource Plan (IRP). The latest version, published late in 2019, indicated a move away from reliance on coal-generated electricity and a drive towards growing the contribution of renewable energy to the South African electricity grid. This is good news for Hulamin: as electricity is the major contributor to the company's carbon footprint, a progressive reduction of the South African electricity grid emission factor (GEF) will have a profound effect on Hulamin's ability to achieve its GHG emission targets. Unfortunately, Eskom reported a significantly poorer national GEF for 2019, and poor generation performance.

Suppliers. Through 2019, Hulamin has grown its understanding of the contribution of its supply chain to the carbon emissions embodied in the metal the company supplies. This is an essential component in setting the company's science-based targets. This data is to be used in planning the way to achieving Hulamin's target for Scope 3 emissions, particularly regarding its growth of the recycled scrap aluminium content in its products.

For a full report on Natural Capital please click on the following link: https://www.hulamin.com/about/sustainability

NATURAL CAPITAL CONTINUED

Scrap metal recycling

Hulamin's recycling assets make it the largest and most sophisticated recycler of aluminium in Africa.

Hulamin is also committed to reducing the scrap generated at its casting, rolling and finishing operations, and recycling all of its internally generated scrap – around 120 000 tons per annum. All scrap that Hulamin is unable to use is recycled by its strategic long-term recycling partners and returned in a usable form. However, in the majority of cases recovered aluminium is fed straight back into the re-melt casting facilities in an internal closed-loop system.

Why recycle scrap?

Hulamin is committed to increasing the volumes of scrap it recycles. The growth in volume over the past three years confirms that this strategy is being successfully executed. Recycling makes business sense from various perspectives:

- Firstly, it provides a source of lower cost aluminium raw material;
- Secondly, it has a great impact on the environment by reducing landfill; and
- Thirdly, Hulamin improves its sustainability by reducing its reliance on more energy intensive, higher cost primary metal.

At a time when single-use plastic packaging is filling landfills and millions of PET bottles are polluting rivers and oceans, Hulamin has a shared obligation to promote aluminium as the material of choice for sustainably packaging beverages.

Hulamin's many customers use aluminium plate, sheet, foil and extruded profiles as inputs into the manufacture of their products. Some of these products will remain in use for over 50 years in the case of buildings, for 15 to 20 years in truck bodies, or for as little as 30 days for a beverage can. Regardless of their lifespan, the aluminium at the end of the product's life can be recycled.

Benefits of recycling aluminium scrap

Making new aluminium out of old, used aluminium consumes less of the earth's resources. Only 5% of the energy needed to produce new, primary aluminium is needed to recycle scrap (old) aluminium back into new aluminium. In addition to conserving significant amounts of energy, recycling greatly reduces the carbon footprint of the material Hulamin produces by also reducing the negative impact of bauxite mining and the energy required for smelting by primary metal suppliers. Recycling aluminium produces 95% less greenhouse gases (GHG) than new primary aluminium, lowering Hulamin's overall GHG emissions.

Aluminium can be recycled infinitely without any loss of its properties. This also applies to the copper, magnesium, manganese, chrome, silicon and other elements used in making aluminium alloys. When an aluminium alloy such as a 3 or 5-series beverage can scrap is recycled, its alloying elements are retained and also recycled back into new Hulamin aluminium.

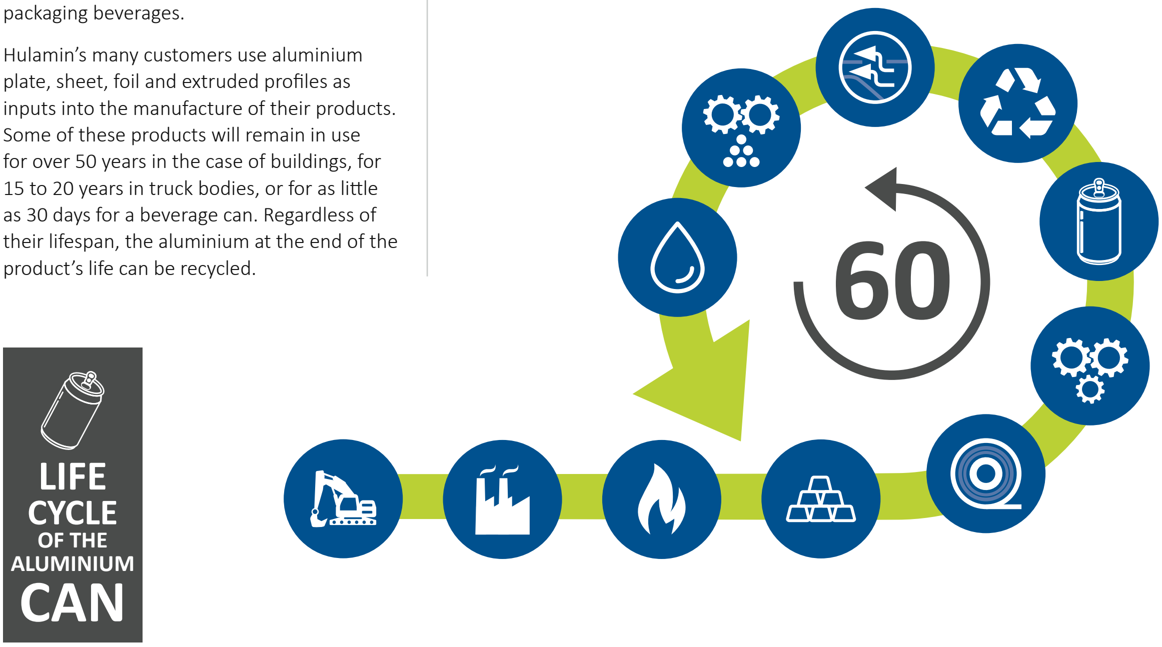
Hulamin's scrap recycling objectives

- As Africa's largest recycler of aluminium, Hulamin maintains its commitment to growing recycled volumes.
- The company supports the achievement of an 85% beverage can recovery rate in South Africa by 2025.
- In collaboration with key partners, stakeholders and suppliers, Hulamin aims to improve its scrap collection rates.
- Continuous improvement of recycling processes and efficiencies will continue.
- Hulamin will work with the packaging and metal packaging industry forums and stakeholders to increase the beverage can recycling rate in South Africa.
- Better and more efficient enterprise development (ED) scrap suppliers will be created and enabled through the provision of guaranteed buyback agreements, equipment, training and mentorship.

Closed-loop recycling

Hulamin maintains closed-loop recycling as an essential activity to deliver on its responsible producer objectives and future sustainability. One of the best examples of closed-loop recycling is the aluminium used beverage can (UBC), as shown in the diagram below.

The aluminium UBC is the world's most recycled packaging item, with consistently high recycling rates.



Brazil, with a recycling rate of over 98%, is among the world's leaders in this area and provides a glimpse of what can be achieved in South Africa in the future. The major driver of the high UBC recycling rate is the high intrinsic value of aluminium: an empty aluminium can is worth between 15c and 20c for the waste collector. This makes it the most valuable packaging type in the waste and scrap stream, and is consequently valuable for formal and informal waste collectors. Aluminium UBC recycling has the potential to contribute to much needed job creation. In Brazil, the average informal waste collector earns more than minimum wage.

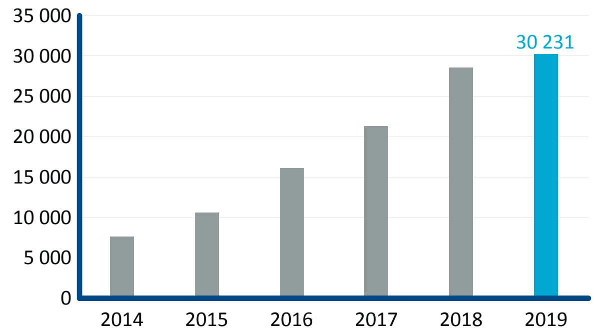
Hulamin recycles UBCs and buyback scrap from its can-maker customers at the company's state-of-the-art recycling centre. UBCs are purchased from a wide supply base of scrap dealers and merchants, and sorted and compacted to a specification suitable for processing at Hulamin's recycling facility. These UBCs are then processed in an advanced cleaning line to remove dust, sand, stones, plastic straws, steel cans and other contaminants. The cleaned UBCs are then de-coated and efficiently melted in Hulamin's new-technology recycling furnace, in order to provide its casting facilities with clean, liquid-metal feedstock. The recycled aluminium is used to make aluminium sheet for the manufacture of new beverage cans.

Hulamin recycling capabilities and 2019 activities

Over the past three years, Hulamin has recycled the equivalent of 3.8 billion beverage cans that were purchased in the open scrap market and through closed-loop buyback arrangements with its can-maker customers. These closed-loop arrangements allow Hulamin to buy back customers' waste aluminium scrap, in order to ultimately convert it back into new products. Closing the loop preserves the value of the aluminium alloy, reduces recycling and transportation costs, minimises negative environmental impacts and pollution, and supports the income of tens of thousands of waste pickers and collectors, as well as creating an untold number of informal-sector jobs.

During 2019, Hulamin continued to grow the benefits from its recycling centre. This centre is designed to efficiently re-melt light gauge and coated aluminium scrap streams, and enable the recycling of challenging post-consumer scrap, such as UBCs. While Hulamin has historically focused on recycling its own internally generated process scrap and closed-loop buyback from its customers, the company's investment in a state-of-the-art recycling plant in 2015/16 has increased the amount and variety of "end-of-life" scrap that can be recycled. This is especially true of hard-to-recycle coated and painted light-gauge scrap types, such as UBCs.

Purchased scrap
(tons) – 31.5% CAGR



During 2019, Hulamin purchased a wide variety of aluminium scrap types and formats, including class scrap from can makers, UBCs, auto body sheet scrap from BMW and Mercedes-Benz, high-purity wire from Eskom, lithographic plates from the printing industry, various types of customer buyback scrap, and even used Venetian blinds. All of these diverse scrap types are cleaned and processed into new product, mainly for the beverage can market.

Whilst purchased scrap volume growth slowed during 2019 as global headwinds affected metal markets, Hulamin has grown scrap purchases at a compound annual rate of 31.5% over the past five years. The 2019 scrap volumes should also be placed in context with the decline in sales volumes.

In 2019, Hulamin's recycling centre supplied its re-melt facility with an additional 39 500 MT of recycled metal, with 30 231 tons from purchased external post and pre-consumer scrap.

Supporting the local recycling industry

Hulamin believes that it plays an important role in improving recycling in South Africa through partnerships with relevant stakeholders, including customers, associations and strategic suppliers. As a founding member of the metal packaging producer responsibility organisation METPAC-SA (Metal Packaging South Africa), Hulamin continued its support for the organisation in 2019.

During 2019, Hulamin continued with its scrap enterprise and supplier development programme by extending the provision of guaranteed buyback agreements, equipment, training and mentorship to SMME scrap collectors.

CAPITAL OUTCOMES SCORECARD

Social, relationship and intellectual

		2019	2018	TARGET 2019
Taxation paid	(R'000)	**(37 492)**	(73 682)	Pay as required
Spending on corporate social responsibility	(R'000)	**3 100**	4 118	% of PAT
B-BBEE expenditure	(R million)	**4 401**	4 422	Pay as required
B-BBEE status	(Level)	**6**	5	5

Human

		2019	2018	TARGET 2019
Employee costs	(R'000)	**1 200 513**	1 241 193	Pay as required
Number of employees		**1 937**	2 039	As required
Lost time injury frequency rate		**0,14**	0,05	<0,18
Total recordable case frequency rate		**0,37**	0,24	<0,2

Manufactured

		2019	2018	TARGET 2019
Capital expenditure	(R'000)	**311 317**	241 744	311 000
Repairs and maintenance	(R'000)	**305 816**	291 799	Sufficient to maintain
Depreciation/amortisation	(R'000)	**136 224**	241 274	Appropriate per capital spend
Rolled Products production volumes	(tons)	**209 561**	229 842	>220 000

Natural

		2019	2018	TARGET 2019
Total CO_2 emissions	(CO_2/MT produced)	**1,73**	1,56	<1,5
Water consumption	(Kℓ/MT produced)	**2,96**	2,52	<2,5
Electricity consumption	(KWh/MT produced)	**1 203**	1 172	<1 150
Fuel gases	(%)	**62**	61	>61

Financial

		2019	2018	TARGET 2019
Operating profit	(R'000)	**(1 421 404)**	(949 907)	>500 000
Free cash flow	(R'000)	**221 970**	89 874	>300 000
Net debt to equity	(%)	**10,6**	7.7	<10%
Headline earnings per share	(cents)	**(76)**	91	>100

Moving forward

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

Capital trade-off

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

Actions to enhance outcomes

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

Moving forward

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

Capital trade-off

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

Actions to enhance outcomes

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

Moving forward

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

Capital trade-off

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

Actions to enhance outcomes

- Continued adherence to the asset management strategy

Moving forward

Hulamin has laid out a plan to continue the development of the Resource Efficiency structure. A Resource Efficiency Technician joined the Resource Efficiency Manager during the period with further additions to the team to come in 2020.

Capital trade-off

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

Actions to enhance outcomes

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

Moving forward

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

Capital trade-off

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

Actions to enhance outcomes

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

CORPORATE GOVERNANCE

Governing structure and delegation

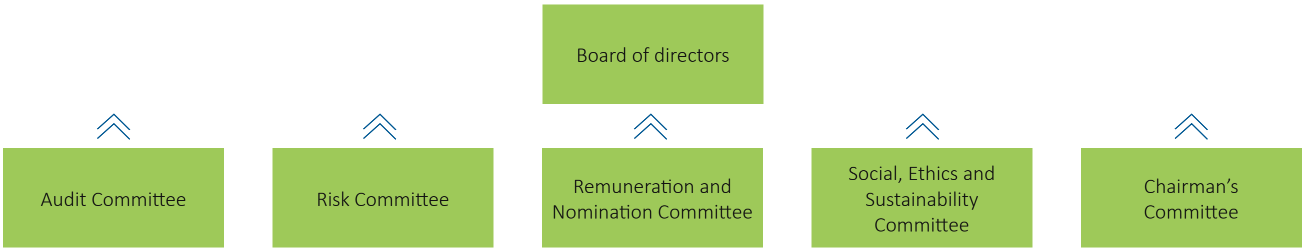
Hulamin views the implementation of good governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

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

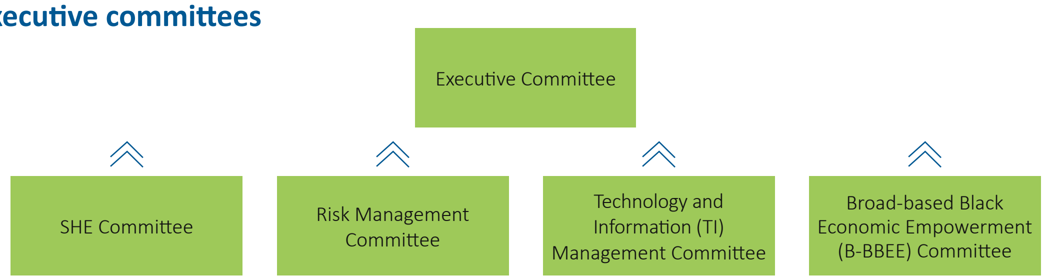
The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. For further information on the core responsibilities and composition of our committees refer to our separate Governance Report available on our website.

OUR APPROACH TO GOVERNANCE

Board committees



Group executive committees

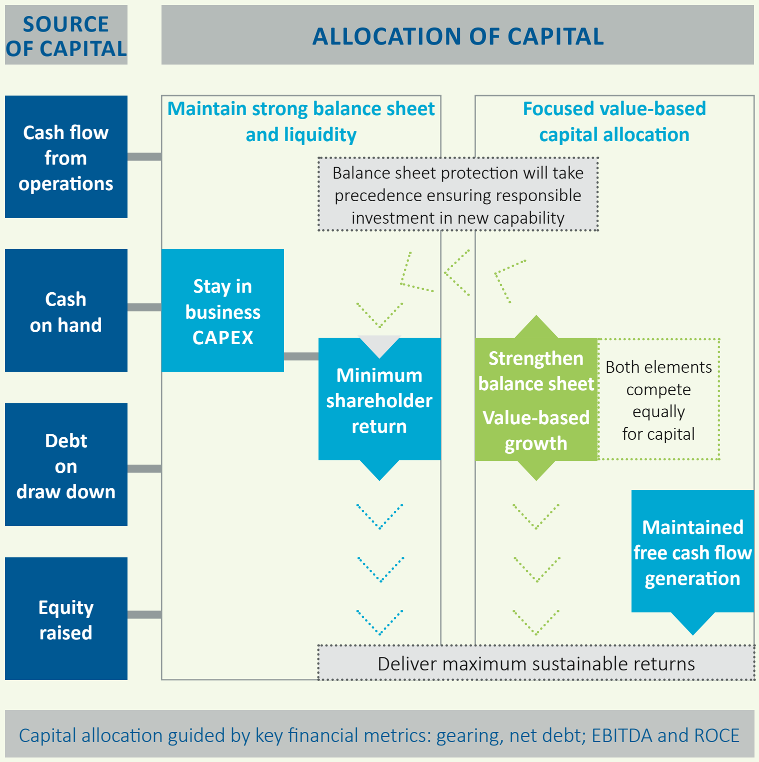


In driving the strategy, the Executive Committee's overarching trade-off has been against the objective of generating free cash flow. Below is further context to the considerations the Executive Committee had to make during the 2019 financial-year.

Leadership roles and functions

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

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



OUR APPROACH TO GOVERNANCE CONTINUED

The Board at a glance

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

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

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

Board demographics

White male 38%
ACI male 46%
ACI female 16%

ACI: African, Coloured and Indian

Board skills composition

- Public enterprise leadership
- Corporate and strategic leadership
- Government relations
- Private enterprise
- Aluminium industry
- Commercial strategist
- Rolling technology
- Operational best practice
- Financial
- Legal
- Taxation
- Human resources
- Entrepreneurship
- Technical engineering
- Strategic marketing

Board committees

	Year of appointment	Age	Audit	Risk	Remuneration and Nomination	Social, Ethics and Sustainability	Chairman's
Independent non-executive directors							
TP Leeuw (Chairman)	**2007**	**56**		**Member**	**Member**		**Chairperson**
CA Boles	**2016**	**50**	**Member**		**Member**		
RL Larson	**2017**	**64**		**Member**			
N Maharajh	**2016**	**53**	**Chairperson**	**Member**			**Member**
NNA Matyumza	**2010**	**56**	**Member**		**Chairperson**		**Member**
Dr B Mehlomakulu	**2016**	**47**		**Member**		**Member**	
PH Staude[1]	**2007**	**66**		**Chairperson[2]**			**Member**
GHM Watson[2]	**2011**	**68**		**Chairperson[2]**	**Member**		**Member**
Non-executive directors							
VN Khumalo	**2006**	**57**				**Chairperson**	**Member**
SP Ngwenya	**2007**	**66**				**Member**	
GC Zondi (Alternate)	**2016**	**46**					
Executive directors							
RG Jacob (CEO)	**2010**	**54**		**Member**		**Member**	
AP Krull (CFO)	**2016**	**45**		**Member**			
MZ Mkhize	**2007**	**58**		**Member**			

Directors ages are quoted as at 31 December 2019

[1] PH Staude retired as director effective 30 June 2019.

[2] PH Staude resigned as Chairperson of the Risk Committee effective 30 June and GHM Watson was appointed Chairperson of the Risk Committee effective 1 July 2019

Value creation through governance

Activities

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

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

Value created

Culture and values
See page 7 of this report

Delivering strategy
See page 35 of this report

Delivering stakeholder value
See page 24 of this report

The Social, Ethics and Sustainability Committee

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

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

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

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

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

REMUNERATION REPORT

NOMGANDO MATYUMZA

Composition of the committee:

Chairman (Remuneration)
NNA Matyumza

Chairman (Nominations)
TP Leeuw

Other members
CA Boles
GH Watson

PART A

The chairperson's statement

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2019 financial year on behalf of the Remuneration and Nomination Committee (Remco). The purpose of this report is to provide the stakeholders with a detailed summary of the organisation-wide philosophy and policy pertaining to remuneration at Hulamin. In accordance with Hulamin's dedication to being a responsible corporate citizen, this report has been aligned to follow best practice reporting standards incorporating the King IV Report on Corporate Governance (King IV™) and the Johannesburg Stock Exchange (JSE) Listings Requirements.

2019 was a challenging year for Hulamin in almost all areas of the business. In this context, no STI (bonus) was paid due to the business not achieving financial performance targets. The 2016 share appreciation rights scheme ("SARS") award scheduled to vest in 2019 did also not vest as a result of missing financial performance targets in 2018.

REMCO focus areas during 2019

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

Routine activities

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

Non-routine activities

- Considered and approved the requirements for a fair and ethical pay framework in order to structurally address the concept of "equal pay for work of equal value"
- Reviewed succession planning for the CEO and Executive
- Addressed reduced manpower costs as a key component of the 2019 turnaround plan

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

Management remuneration – a dynamic context

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

In addressing the requirements of the Employment Equity Act 55 of 1998 in relation to the principle of equal pay for work of equal value, the Remco has developed a Fair and Ethical Pay Framework. In addition, when annual salary (inflationary) increments are applied, adjustments are weighted in favour of employees at lower remuneration levels.

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

Shareholder engagement

In line with best practice and our value of remuneration being aligned with shareholders and their interests, we regularly engage with shareholders, as and when required.

Appreciation

The Remco is satisfied that we properly executed our duties in terms of our mandate for the FY2019. At the AGM held on 15 May 2019, Hulamin received a 78.37% non-binding advisory vote in favour of its remuneration policy and 90.88% in favour of implementation report. We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamin and, particularly, the Remco, are steadily continuing on the journey of implementing best practice standards in our remuneration reporting and disclosure.

NNA Matyumza
Chairman of the Remuneration and Nomination Committee

24 June 2020

PART B

The forward-looking remuneration policy

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

The Remco meets at least three times per annum. The Remco members and their meeting attendance record for FY19 is detailed below:

Member	14 February Scheduled	28 February Special	4 April Scheduled	14 November Scheduled	2 December Special
NA Matyumza	✔	✔	✔	✔	✔
CA Boles	✔	✔	✔	✔	✔
TP Leeuw	✔	✔	✔	✔	✔
GH Watson	✔	✔	✔	✔	✔

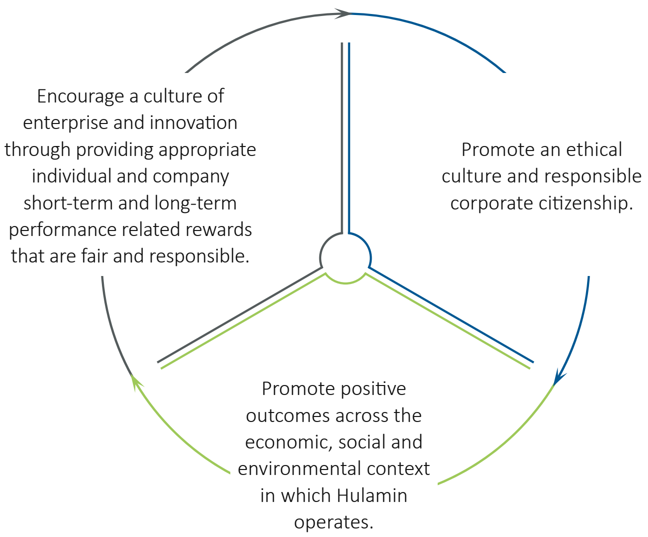
In 2019, scheduled Remco meetings were held on 14 February, 4 April, and 14 November. In addition to the scheduled meetings, special Remco meetings were held on 28 February and 2 December, shortly before Board meetings, in order to approve final recommendations to the Board.

Management who are invited to attend Remco meetings are excused when their remuneration is discussed, and do not participate in any vote at the meeting.

1. Remuneration philosophy

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

Hulamin's remuneration philosophy through the application of this policy, aims to:



Hulamin's remuneration philosophy is geared towards pay for performance within the boundaries of the Company's risk appetite, and is cognisant of the need to guard against windfalls or undue penalisation due to factors outside of employees' control. Variable pay should not be unduly affected by the performance of a particular operation in which an employee works, where factors outside the employee's control affect the Company's financial results (e.g. commodity price or currency fluctuations).

2. Fair and responsible remuneration

The Board, supported by the Remco, gives due consideration to the principle of fair and responsible remuneration. As there is no one-size-fits-all solution, the Remco must review and approve initiatives, policies and arrangements to give effect to this principle in line with best practice, bearing in mind the Company's strategic objectives.

The Remco must ensure that executive remuneration (including the remuneration of prescribed officers) is justifiable in the context of overall employee remuneration. The Remco may make recommendations to and assist the Board in taking the following actions:

Investigating and assessing the internal pay disparities within the Company.

Examining the underlying reasons for pay disparities, if any.

Reviewing Hulamin's internal Gini coefficient to assess the level of income disparity in Hulamin.

Conducting an assessment of pay conditions between employees in line with the principle of equal pay for work of equal value.

In striving to be a responsible corporate citizen, the Company continuously considers initiatives to nurture the principle of fair and responsible remuneration, and to improve the employment conditions of all employees within the Company. The Company will adopt progressive measures to address identified pay disparities, as deemed necessary from time-to-time.

3. Remuneration mix

a. Structure of packages

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

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

Note that at lower salary levels, variable pay constitutes a smaller proportion of total remuneration.

b. Total guaranteed pay (TGP)

Cash salary	The major portion of guaranteed pay consists of a cash salary. Regular benchmarking exercises are conducted to ensure that Hulamin employees' cash salary is market related and appropriately competitive.
Employer contributions	Guaranteed pay also includes an employer contribution to a company-approved retirement fund and medical aid, as well as a cellular phone allowance based on the employee's grade, and a 13th cheque amounting to 10% of the annual basic salary for all employees from lower E-band and below.
Premiums	It is recognised that market premiums may be necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's cash salary.
Other benefits	In addition to retirement funding and medical aid, Hulamin offers retiring staff with a minimum of 10 years' service, a gratuity based on the length of their service and their final salary, as well as general accident insurance for middle and senior management.
Positioning	Hulamin aims for guaranteed pay to be in line with the market median, recognising that there are cases of differentiation (i.e. within a range of the market median) based on individual performance and value to the business.
Salary reviews and increases	Annual cash salary increases for individuals are largely inflationary adjustments. Other factors taken into consideration include: an individual's pay relative to the market, their performance, and their anticipated future value to the business. Performance ratings are normalised both within an employee's department, and between departments, to ensure that ratings approximate a normal distribution. In cases where pay anomalies are identified, attention is given to adjusting the employee's pay in line with the market, their value to the business and their performance. The aggregate of all annual increases is adopted as a firm upper limit not to exceed the average overall increase approved by the Board. The salary increases of executives are considered individually by the Remco when determining the average increase for other employees.
Performance	Performance below expectations is not tolerated and actions (such as performance counselling or disciplinary actions) are taken to ensure that poor performers either improve their performance or exit the Company. During the period in which under-performance is being addressed, the employee's salary increases would be below average for their grade.

REMUNERATION REPORT CONTINUED

Early termination of employment

Employees may be classified as either a "fault" leaver or a "no-fault" leaver, depending on the circumstances under which their employment is terminated. The provisions below apply to the ECSP as well as the legacy share appreciation right scheme (SARS).

No-fault leavers (employees who terminate employment due to death, retrenchment or retirement (including ill-health), as well as the sale of a subsidiary company)	No-fault leavers receive a pro-rated portion of unvested awards (accelerated vesting) to the extent that performance conditions (if any) were met, and in the case of vested share appreciation rights (SARs), must exercise within six months from the date of termination of employment.
Fault leavers (employees who terminate employment due to resignation, or dismissal)	Fault leavers forfeit all unvested awards as well as vested but unexercised SARs, to the extent that they remain unexercised on the date of termination of employment.

Legacy plans

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

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

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

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

i. 2015 Employee Share Ownership Plan (2015 ESOP)

The objectives of the 2015 ESOP are primarily:

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

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

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

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

1. Executive conditions of employment

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

The notice period for the CEO is three months and the notice period for other executives is two months. Hulamin reserves the right to terminate an executive's employment, without notice, for any cause deemed sufficient by law.

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

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

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

2. Non-executive directors' (NEDs) fees

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

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

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

NEDs are to retain their independence, and as such they neither receive payments linked to the Company's performance nor do they participate in the Company's incentive schemes.

The proposed fees will be tabled before shareholders for approval by special resolution at the 2020 AGM:

	Present fees to 31 July 2020		Proposed fees from 1 August 2020		
Role	**Annual retainer**	**Attendance per meeting**	**Annual retainer**	**Attendance per meeting**	**% change**
Chairman of the Board	R477 410	R40 920	R477 410	R40 920	–
Member of the Board	R174 450	R14 950	R174 450	R14 950	–
Chairman of the Audit Committee	R125 550	R17 930	R125 550	R17 930	–
Member of the Audit Committee	R72 950	R10 430	R72 950	R10 430	–
Invitee of the Audit Committee		R10 430		R10 430	–
Chairman of the Risk and safety, Health and Environment Committee	R86 690	R12 380	R86 690	R12 380	–
Member of the Risk and Safety, Health and Environment Committee	R47 580	R 6 800	R47 580	R6 800	–
Invitee of the Risk and Safety, Health and Environment Committee		R6 800		R6 800	–
Chairman of the Remco	R86 690	R12 380	R86 690	R12 380	–
Member of the Remco	R47 580	R6 800	R47 580	R6 800	–
Invitee of the Remco		R6 800		R6 800	–
Chairman of the Transformation, Social and Ethics Committee	R86 690	R12 380	R86 690	R12 380	–
Member of the Transformation, Social and Ethics Committee	R47 580	R6 800	R47 580	R6 800	–
Invitee of the Transformation, Social and Ethics Committee		R6 800		R 6 800	–
Chairman of an *ad hoc* Board Committee	R82 560	R12 380	R82 560	R12 380	–
Member of an *ad hoc* Board Committee	R45 310	R6 800	R45 310	R6 800	–
Invitee of an *ad hoc* Board Committee		R6 800		R6 800	–
Fees for international NEDs (€)	€31 320	€2 680	€31 320	€2 680	–
Fees for international NEDs ($)	$31 760	$2 720	$31 760	$2 720	–

3. Voting and shareholder engagement

a. Voting on the remuneration policy and implementation report

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

b. Shareholder engagement

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

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

Method of engagement may include:

Emails, written correspondence, telephone calls, video conference calls, one-on-one meetings, investor roadshows and other methods of communication to the relevant contact persons at the shareholders, after the AGM concerned (and throughout the financial year), regarding the reasons for the dissenting votes

Responses to shareholder queries explaining, in more detail, the elements of the remuneration policy that caused concern. Where appropriate, the Board may resolve to amend certain elements of the remuneration policy to align the policy to market norms.

REMUNERATION REPORT CONTINUED

PART C

The implementation of the remuneration policy

This implementation report is subject to an advisory vote by shareholders at the AGM dated 21 May 2020.

Total guaranteed pay

No annual salary increases were approved for the executive and non-bargaining unit employees in 2019. The weekly paid and artisan employees are subject to wage negotiations with the bargaining council.

Short-term incentive outcomes

In 2019, the company failed to achieve the levels of performance required for the STI bonus to be paid. No STI bonus payments were made to any of the participants based on the 2019 performance.

The table below sets out the target STIs the executive directors and prescribed officers could have received, based on their possible STI awards for on-target company performance:

	On-target STI			FY2019 Actual STI		
Participant	Rand	% of TGP	TGP Rand	% STI achievement	Value included in single figure table Rand	% of TGP
RG Jacob (CEO)	3 559 985	60	5 933 306	–	–	–
AP Krull (CFO)	2 206 450	50	4 412 898	–	–	–
MZ Mkhize (executive director)	1 656 920	40	4 142 300	–	–	–
DR Weisz[1] (prescribed officer)	806 840	40	2 017 105	–	–	–

[1] Mr DR Weisz was retrenched with effect from 4 July 2019.

Long-term incentive (LTI) outcomes

The 2016 SARS was due to vest in 2019, and consequently the performance condition was measured over the three-year performance period that ended 31 December 2018. The actual 2018 HEPS of 77cps did not meet the required HEPS target of 95cps, and consequently the 2016 SARS award lapsed.

Unvested LTIs

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

	LTI scheme	Date awarded	Vesting date	Opening number	Grant price	Lapsed during the year	Closing number	Indicative value Rand[1]
Executives								
RG Jacob (CEO)	SARS	24-Apr-14	23-Apr-17	633 100	6.90	–	633 100	–
	SARS	22-Apr-16	21-Apr-19	744 440	6.30	744 440	–	–
	SARS	26-Apr-17	25-Apr-20	604 005	6.50	–	604 005	–
	ECSP – PS	26-Jul-18	25-Jul-21	321 279	6.22	–	321 279	1 410 415
	ECSP – BS	26-Jul-18	25-Jul-21	117 649	6.22	–	117 649	516 479
AP Krull (CFO)	LTIP NPC	01-May-16	30-Apr-19	145 370	5.75	145 370	–	–
	SARS	26-Apr-17	25-Apr-20	327 554	6.50	–	327 554	–
	ECSP – PS	26-Jul-18	25-Jul-21	199 660	6.22	–	199 660	876 507
	ECSP – BS	26-Jul-18	25-Jul-21	78 538	6.22	–	78 538	344 782
MZ Mkhize (Director)	SARS	25-Feb-13	21-Oct-15	241 172	4.56	241 172	–	–
	SARS	24-Apr-14	23-Apr-17	201 780	6.90	–	201 780	–
	SARS	22-Apr-16	21-Apr-19	313 573	6.30	313 573	–	–
	SARS	26-Apr-17	25-Apr-20	304 817	6.50	–	304 817	–
	ECSP – PS	26-Jul-18	25-Jul-21	152 571	6.22	–	152 571	669 787
	ECSP – BS	26-Jul-18	25-Jul-21	57 682	6.22	–	57 682	172 347

[1] Fair value/indicative value of outstanding LTI: this column reflects the number of outstanding instruments x vesting probability x year-end share price.

	LTI scheme	Date awarded	Vesting date	Opening number	Grant price	Lapsed during the year	Closing number	Indicative value Rand[1]
Prescribed officer								
DR Weisz	**SARS**	**24-Apr-14**	**23-Apr-17**	**170 607**	**6.90**		**170 607**	**–**
	SARS	**22-Apr-16**	**21-Apr-19**	**265 944**	**6.30**	**265 944**	**–**	**–**
	SARS	**26-Apr-17**	**25-Apr-20**	**258 032**	**6.50**		**258 032**	**–**
	ECSP – PS	**26-Jul-18**	**25-Jul-21**	**125 183**	**6.22**	**–**	**125 183**	**549 553**
	ECSP – BS	**26-Jul-18**	**25-Jul-21**	**39 259**	**6.22**	**–**	**39 259**	**172 347**

[1] *Fair value/indicative value of outstanding LTI: this column reflects the number of outstanding instruments x vesting probability x year-end share price.*

Executive remuneration

The table below sets out the single-figure remuneration (i.e. TGP (basic salary and company contributions), STI and LTI) received by executive directors and prescribed officers in 2019 and 2018, respectively.

	Cash salary Rand	Company contributions Rand	STI Rand	LTI Rand	Total Rand
2019					
RG Jacob (executive)	**5 139 420**	**793 886**	**–**	**–**	**5 933 306**
AP Krull (executive)	**3 791 784**	**621 114**	**–**	**–**	**4 412 898**
MZ Mkhize (executive)	**3 537 108**	**605 192**	**–**	**–**	**4 142 300**
DR Weisz[1] (prescribed officer)	**1 697 185**	**3 437 040**	**–**	**–**	**5 134 225**
Total	**14 165 497**	**5 457 232**	**–**	**–**	**19 622 729**
2018					
RG Jacob (executive)	4 821 624	739 508	1 269 239	642 694	7 473 065
AP Krull (executive)	3 557 424	582 184	933 026	–	5 072 634
MZ Mkhize (executive)	3 310 776	643 359	1 037 249	267 509	5 258 893
DR Weisz (prescribed officer)	2 771 232	473 091	395 764	227 094	3 868 181
HT Molale (prescribed officer)	2 787 144	537 325	375 421	227 100	3 926 990
Total	17 248 200	2 975 468	4 010 699	1 364 397	25 599 763

[1] *Company contributions of R3 437 040 to Mr DR Weisz include severance payments of R3 117 120 on termination of employment.*

NED fees

The table below sets out the fees paid to NEDs in 2019:

Name	Retainer fees 2019 Rand	Attendance fees 2019 Rand	Total fees 2019 Rand
TP Leeuw	**556 662**	**270 290**	**826 952**
VN Khumalo	**253 883**	**153 360**	**407 243**
NNA Matyumza	**324 809**	**145 210**	**470 019**
SP Ngwenya	**215 858**	**99 890**	**315 748**
PH Staude	**124 350**	**26 030**	**150 380**
GHM Watson	**612 164**	**274 945**	**887 109**
N Maharajh	**337 920**	**152 830**	**490 750**
CA Boles	**286 784**	**143 960**	**430 744**
B Mehlomakulu	**262 114**	**126 450**	**388 564**
RL Larson	**500 807**	**229 918**	**730 725**
Total	**3 475 353**	**1 622 883**	**5 098 236**

Approval

This report was approved by the Remco on 12 March 2020 and the Board on 24 June 2020. The Remco as well as the Board are satisfied that there were no material deviations from the 2018 remuneration policy during the 2019 financial year.

ANNUAL FINANCIAL STATEMENTS

06

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

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

In preparing the annual financial statements, the Company and the Group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and have been prepared in accordance with International Financial Reporting Standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the Company and the Group at 31 December 2019, and the results of its operations and cash flows for the year then ended. The directors have considered the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the Group's current financial position, are satisfied that the Company and Group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

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

Based on the results of a formal documented review of Hulamin's system of internal controls and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing other than internal control deficiencies at Hulamin Containers 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 financial statements have been audited by the independent auditing firm, Ernst & Young Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unqualified report appears on pages 101 to 104.

The annual financial statements of the Group and Company set out on pages 105 to 193, which have been prepared on the going-concern basis, were approved by the Board of Directors on 24 June 2020 and were signed on its behalf by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
24 June 2020

CERTIFICATE BY COMPANY SECRETARY

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

Willem Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
24 June 2020

DIRECTORS' STATUTORY REPORT

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2019.

Nature of business

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

The activities of Isizinda Aluminium Proprietary Limited ("Isizinda"), which supplies slab to Hulamin Rolled Products, are integrated into the Hulamin Rolled Products segment. Hulamin, through its wholly-owned subsidiary, Hulamin Operations Proprietary Limited ("Hulamin Operations") has ownership of 38.74% in Isizinda, with the remaining shares being held 58.74% by Bingelela Capital Proprietary Limited ('Bingelela') and 2.53% by the Isizinda Employee Share Trust ('the Isizinda Trust').

On 22 May 2019, Hulamin Operations agreed a term sheet with Isizinda, Bingelela, the Isizinda Trust, Bingelela Alloys Proprietary Limited and Bingelela Extrusion Billets Proprietary Limited. The agreement gives effect, *inter alia*, to the purchase by Hulamin Operations from Isizinda the slab business ('the Sale of Business Agreement'), the provision of funding by Hulamin to Isizinda ('the funding agreement') and an evergreen lease agreement between Hulamin and Isizinda for the lease of a portion of the property on which the slab business is located ('lease agreement'). This transaction is more fully described below in the section entitled 'Isizinda transaction'.

Financial results

The net loss attributable to shareholders of the group for the year ended 31 December 2019 amounted to R1 204.5 million (2018: R773.4 million). This translates into a loss per share of 380 cents (2018: loss per share of 242 cents).

The group's results were impacted by impairment charges totalling R1 302.9 million (2018: R1 450.8 million), largely relating to the reduction in the carrying amounts of the net assets of the Hulamin Rolled Products and Hulamin Extrusions cash-generating units to their estimated value in use. These impairments reflect both a reduction in the five-year forecast cash flows of these cash-generating units due to the softer outlook in market conditions, as well as an increase in Hulamin's weighted average cost of capital which takes account of increased uncertainty in the macro environment and the associated rise of risk indicators.

The group recorded a headline loss per share of 76 cents (2018: headline earnings per share of 91 cents) based on the weighted average number of shares in issue during the year.

Factors impacting the decline in headline earnings per share for the current period are:

Hulamin Rolled Products operating performance

Hulamin Rolled Products experienced challenging conditions in 2019, with weak market conditions both locally and internationally. This resulted in Hulamin Rolled Products sales volumes declining 10% to 204 000 tons. Due to the high fixed manufacturing cost base of the business, the impact on operating profit of this sharp reduction in volume has been severe.

As a result of the above Hulamin implemented a cost reduction programme to reduce operating costs by R250 million per annum. This plan has been completed with approximately 250 employees having left the group and contractor reductions, as well as other non-manpower savings, having been recorded.

Hulamin Extrusions operating performance

A major 11-week disruption to the largest press in Hulamin Extrusions in the first quarter had a considerable impact on sales volumes, working capital, customer service and profits. The press has since been restored to full operating capacity. A restructuring of Hulamin Extrusions during 2019 resulted in the closure of its Olifantsfontein plant and the consolidation of production at its Pietermaritzburg operation.

In addition to the items noted above, the financial results were impacted by:

- A negative metal price lag of R68 million (2018: gain of R4 million), resulting from the decline in the aluminium price during 2019;
- Restructuring costs of R114 million (2018: Rnil), resulting from the restructuring programmes referred to above;
- A negative R25 million (2018: positive R61 million) timing mismatch related to aluminium futures not qualifying for hedge accounting in 2018; and
- A charge of R65 million (2018: Rnil) arising from the Isizinda transaction, detailed in the section below.

Solvency and liquidity

The group's net borrowings were R225.9 million and net debt was R272.4 million at 31 December 2019. This represents a net debt to equity ratio of 10.6%.

The annual financial statements presented on pages 105 to 193 set out fully the financial position, results of operations and cash flows for the year.

Isizinda transaction

Hulamin produces the majority of its rolling slab requirements at its Pietermaritzburg plant and sources the balance from Isizinda. The operation of slab casting facilities is therefore one of Hulamin's core business competencies and a strategic element of the business. Bingelela wished to exit the slab casting business to pursue the production of rim alloys and extrusion billet on the property. Accordingly, it was agreed on 22 May 2019 that, *inter alia*, Hulamin Operations would purchase the slab business from Isizinda, effective 1 January 2020, and that Isizinda would use the proceeds from the disposal of the business assets to reduce its loan from Hulamin.

The expansion of the range of products produced at the Bayside casthouse is fundamental to the long-term growth of the local aluminium industry. Hulamin therefore agreed to a funding agreement between Hulamin and Isizinda in terms of which Hulamin advanced R50 million to Isizinda, which has been used by Isizinda to declare a dividend of R35 million to Bingelela, with a further dividend of R15 million to be declared and paid upon Hulamin completing a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

At the conclusion of the transaction, Hulamin has gained full ownership and control of the production of rolling slab at Bayside, at a cost that is well below replacement value, and will have realised significant productivity gains from the integration of the Pietermaritzburg and Bayside casthouses.

Hulamin has accounted for its investment in Isizinda as a subsidiary and Bingelela's interest in Isizinda as a grant of an equity option. The transaction has resulted in the effective settlement of the equity option held by Bingelela in Isizinda, resulting in a R65 million charge to profit and loss.

Full details of the accounting implications of the Isizinda Transaction has been disclosed in note 6.1(d) of the group financial statements.

Impact of new accounting standards

The group adopted IFRS 16, 'Leases' from 1 January 2020. The modified retrospective approach was adopted without comparatives being restated due to the practicality of having systems and processes implemented at 1 January 2019 to cater for auditable comparative information. The impact of the implementation of IFRS 16, 'Leases' on the statement of financial position on 1 January 2019 was an increase in both right-of-use assets and lease liabilities by R47 million.

Full details of the impact of the implementation of IFRS 16, 'Leases' has been disclosed in note 10(a) of the group financial statements.

Dividends

No dividends were declared for the year ended 31 December 2019 (2018: 18 cents per share).

Share capital

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

During the year, Hulamin Operations purchased 8 183 539 shares on-market to hold treasury shares to settle share scheme obligations in terms of a share repurchase programme approved by shareholders at the annual general meeting held on 15 May 2019.

Details of the authorised, issued and unissued ordinary shares, the share repurchase and the group's share incentive schemes are set out in notes 3.5 and 8.1 of the group financial statements.

Subsidiaries

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

Directorate

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

Mr P H Staude resigned from the board of directors with effect from 17 June 2019.

Directors' and prescribed officer's shareholdings

At 31 December 2019, the present directors and prescribed officer of the company beneficially held a total of 1 192 359 ordinary no par value shares, equivalent to 0.37 percent, in the company (2018: 1 167 359 ordinary no par value shares, equivalent to 0.37 percent, were held by directors). Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in notes 8.3.2 and 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 31 December 2019 and 24 June 2020.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2019.

Auditors

Ernst & Young Inc. continued as auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 30 July 2020, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2020 financial year and it will be noted that Mr S Sithebe will be the individual registered auditor that will undertake the audit.

Secretary

The Company Secretary of Hulamin Limited is Mr W Fitchat. His business and postal address appears in the corporate information section.

Events after the reporting period

Events between the end of the financial year and the date of this report have been detailed in note 1.9 of the group financial statements. The most noteworthy events are:

a) The acquisition by Hulamin Operations of the rolling slab casting business and assets of Isizinda in terms of the Isizinda transaction described above;

b) The economic impact of COVID-19 on Hulamin and its markets;

c) The US anti-dumping petition against imports of common alloy sheet; and

d) The arrangement of a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

The matters b, c and d above have been considered in the directors' assessment of going concern.

Going concern

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

Despite the deterioration in the group's liquidity position during 2020 to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities, Hulamin's committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due. The consolidated financial statements for the year ended 31 December 2019, therefore, have been prepared on the going concern basis.

In making this assessment, the board has considered the potential impact of the uncertainties surrounding the group which relate to matters b, c and d listed in the section above, together with a consideration of management's scenarios and forecasts to the end of 2021 set out in note 1.10 of the group financial statements. It is recognised, however, that a more adverse impact of the uncertainties than included in these scenarios, or a different combination thereof, could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs. The group may also, if necessary, be required to consider raising additional loan facilities or equity capital.

Whilst, the board do not consider it likely that either a lack of approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy or an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32 beyond August 2020, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

Approval

The annual financial statements of the group and company set out on pages 105 to 193 have been approved by the board. Signed on behalf of the board of directors by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
24 June 2020

REPORT OF THE AUDIT COMMITTEE

Introduction

The Hulamin Group Audit Committee ("the committee" or "Audit Committee") presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended ("Companies Act"), and as recommended by King IV, for the financial year ended 31 December 2019.

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

Membership and meetings

The committee comprises three independent non-executive directors.
All members of the committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations. The members were appointed by shareholders at the 2019 annual general meeting of the company in terms of section 94(2) of the Companies Act. For the year under review,
the Audit Committee comprised:

- N Maharajh (Chairman)
- NNA Matyumza
- CA Boles

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

The Audit Committee had three scheduled meetings during the year.

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

Role and responsibilities

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

The key responsibilities of the committee are as follows:

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

Performance of duties

The Audit Committee is satisfied that, during the year under review,
it complied with its legal, regulatory and other responsibilities, conducted its affairs in compliance with Board-approved terms of reference, and discharged its responsibilities contained therein.

The committee is therefore pleased to report that it discharged the following responsibilities for the period under review:

REPORT OF THE AUDIT COMMITTEE CONTINUED

External auditor appointment and independence

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

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

In respect of the 2019 financial year, the committee was satisfied with the quality and effectiveness of the audit process of Ernst & Young Inc. and that Ernst & Young Inc. and the designated audit partner, Mr S Sithebe, were accredited as such on the JSE list of auditors and their advisors. As required by the JSE Listings Requirements, the company received a summary from Ernst & Young of its latest IRBA inspection report, responses thereto and any remedial actions in respect thereof, as well as the quality control monitoring system applied by Ernst & Young.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2019 year as disclosed in note 2.4.5 of the financial statements of the group.

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

Internal audit

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

The internal audit function reports centrally and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the group's operations.

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 2019 annual audit plan was approved by the committee.

The Head of Internal Audit had direct access to the committee, was responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and had direct access to the committee.

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

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

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 other than internal control deficiencies at Hulamin Containers 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.

Certain internal control deficiencies were identified in finalising the financial results for Hulamin Containers, a business unit forming part of the Hulamin Rolled Products segment, for the year ending 31 December 2019. This led to the suspension of the members of the finance function at the business unit and a reconstruction of the financial results. The committee is monitoring remedial action in relation to the internal control environment at this business unit.

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 93. The committee supports the opinion of the Board in this regard.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Risk Committee. The chairman of the Audit Committee attended meetings of the Risk 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.

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 is of the view that the finance function needs to be strengthened and has commenced the process to effect this.

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 2019 and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The committee has considered and discussed the annual financial statements and associated reports with both management and the external auditors.

During this process, the committee:

- evaluated significant judgements and reporting decisions;
- determined that the going-concern basis of reporting is appropriate;
- evaluated the material factors and risks that could impact on the annual financial statements and associated reports;
- evaluated the completeness of the financial and sustainability discussion and disclosures; and
- discussed the treatment of significant and unusual transactions with management and the external auditors.

The significant audit and accounting matters considered by the Committee in relation to the 2019 annual financial statements were:

- Impairment of property, plant and equipment and related fair value less costs to sell assessments;
- Accounting for the Isizinda transaction;
- The adoption of accounting standard, IFRS 16, "Leases";
- Impact of the control breakdown in Hulamin Containers; and
- The recognition of deferred tax assets.

The auditors have issued an unqualified audit opinion.

Integrated reporting, sustainability and combined assurance

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

The committee considered the company's sustainability information as disclosed in the integrated report and separate sustainability report of the group for the year ending 31 December 2019 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 2019 sustainability reporting. The committee determined the scope of this assurance engagement and satisfied itself as to the independence and competency of the external assurance provider.

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

The committee recommended the 2019 integrated report for approval by the Board of Directors.

Technology and information

The committee oversees the governance of technology and information by setting the direction on how technology and information should be approached and addressed.

The committee reviewed the governance structure, key risks, internal controls and activities of the technology and information function during the year. The key matters which are being attended to relate to a cybersecurity control and resilience improvement programme, and an updated IT strategy, which includes the modernisation of Hulamin's application environment and a digitalisation programme.

Treasury

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

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and the group as at 31 December 2019 and has made a recommendation to the Board in this respect. The Board's statement on the going-concern status of the company and the group, as supported by the committee, is detailed on page 93.

On behalf of the Audit Committee

Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
24 June 2020

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hulamin Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Hulamin Limited (the "Company") and its subsidiaries (the "Group") set out on pages 105 to 193, which comprise the consolidated and separate statements of financial position as at 31 December 2019, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 December 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and separate Financial Statements section of our report. We are independent of the group and company in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised January 2018), parts 1 and 3 of the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (Revised November 2018) (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA code) and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) respectively. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT CONTINUED

The Key Audit Matter applies equally to the audit of the consolidated and separate financial statements.

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of the rolled products cash generating unit (CGU)	
At year end, the value of the rolled products CGU amounted to R2.5 billion representing 60% (2018: 58%) of total assets and 100% (2018: 100%) of total equity. *IAS 36 Impairment of assets* require an impairment test of non-financial assets to be performed when there are indicators that these may be impaired. The Group's market capitalization was below its net asset value as at 31 December 2019, indicating that the carrying value of the Group's assets may be impaired. Management performed an impairment test which included the following key assumptions which affect the impairment test, and required significant management judgement to be exercised: • Determining of cash generating units (CGU). • Future sales volumes. • Rolling margins, considering current and anticipated changes in market conditions and product mix. • Forecasted currency exchange rates. The discount rate applied by management was based on the capital asset pricing model which included inputs that are subjective. We considered management's rolled products CGU impairment test of to be a key audit matter due to the size of the balances and due to the complexity, estimation and sensitivity of the cash flow forecast used in the calculation of the of the recoverable amounts: Management's disclosure on impairment consideration are detailed in note 2.4.4 of the Annual Financial Statements.	Our audit procedures for the Impairment assessment of the rolled products CGU, amongst others, included : • We considered management's assessment of the existence of an impairment indicator against the applicable requirements of IAS 36 *Impairment of assets*. • We assessed the basis adopted by management in the preparation of the discounted cash flow valuation model against the applicable requirements of IAS 36 *Impairment of assets*. • We tested the mathematical accuracy of the discounted cash flow valuation model and its formulas • We assessed the management's determination of the cash generating units against the applicable requirements of IAS 36 *Impairment of assets*. • We interrogated the integrity of supporting calculations and considered the reasonableness of the following key inputs: future sales volume forecasts, forecasted currency rates, rolling margins and cost saving initiatives, with reference to the board approved business plan, external market data and past performance of the CGU. Market data considered included forecast exchange rates, aluminium prices, geographic premiums and inflation rates. • We considered the level of precision with which management had historically prepared their cash flow forecasts by comparing them to actual performance. • We involved our valuation experts, who evaluated the reasonableness of the discount rate as well as the methodology used by management in forecasting the ZAR/USD exchange rates beyond a two-year period premium with reference to independent market data and in light of our knowledge of the industry. • We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result further in impairment and evaluated this against management's sensitivity analyses. • We have assessed the adequacy of the accounting for the resulting impairment of the Rolled Products and Extrusions cash generating units as well as the disclosures made in the Annual Financial Statements in accordance with IAS 36 I*mpairment of Assets*.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' Statutory Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the 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 express an audit opinion or any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the 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 the 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's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the 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 Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 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 and separate financial statements. We are responsible for the direction, supervision and performance of the Group and Company audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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 Ernst & Young Inc. has been the auditor of Hulamin Limited for two years.

Ernst & Young Inc.

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

25 June 2020
Durban

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	**813 570**	1 901 794
Right-of-use assets	5.2	**17 108**	–
Intangible assets	5.3	**13 157**	43 136
Retirement benefit asset	8.2(c)	**95 560**	133 860
Deferred tax asset	9.2(a)	**93 130**	17 060
		1 032 525	2 095 850
Current assets			
Inventories	4.2	**2 176 408**	2 262 547
Trade and other receivables	4.3 (b)	**804 415**	1 530 279
Derivative financial assets	7.1(d)	**88 661**	71 281
Cash and cash equivalents	4.1	**126 207**	525 981
Income tax asset	9.3	**17 562**	18 992
		3 213 253	4 409 080
Non-current assets classified as held for sale	6.2	**14 250**	6 529
Total assets		**4 260 028**	6 511 459
EQUITY			
Stated capital and consolidated shares	3.5	**1 817 580**	1 817 580
Treasury shares	3.5	**(22 000)**	–
BEE reserve	SOCIE	**24 576**	51 776
Employee share-based payment reserve		**63 305**	57 914
Hedging reserve	7.1(d)	**12 505**	(6 280)
Retained earnings		**674 342**	1 881 631
Total equity		**2 570 308**	3 802 621
LIABILITIES			
Non-current liabilities			
Non-current borrowings	3.1	**–**	54 000
Lease liabilities	3.3	**34 405**	–
Deferred tax liability	9.2(b)	**16 990**	221 060
Retirement benefit obligations	8.2(d),(e)	**225 007**	251 738
		276 402	526 798
Current liabilities			
Trade and other payables	4.4	**1 005 121**	1 380 209
Current borrowings	3.2	**352 083**	765 783
Lease liabilities	3.3	**12 088**	–
Derivative financial liabilities	7.1(d)	**44 026**	34 011
Income tax liability	9.3	**–**	2 037
		1 413 318	2 182 040
Total liabilities		**1 689 720**	2 708 838
Total equity and liabilities		**4 260 028**	6 511 459

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2019

		Notes	2019 R'000	2018 R'000
Revenue from contracts with customers		2.3	**10 708 581**	11 533 818
Cost of sales of goods		2.4.1	**(9 929 196)**	(10 583 507)
Cost of providing services		2.4.1	**(76 066)**	(82 422)
Gross profit			**703 319**	867 889
Selling, marketing and distribution expenses		2.4.1	**(520 020)**	(448 237)
Administrative and other expenses		2.4.1; 2.4.5	**(290 670)**	(194 806)
Net impairment losses on financial assets		4.3(c)	**(1 906)**	(671)
Impairment of property, plant and equipment and intangible assets		2.4.4	**(1 302 898)**	(1450 814)
Gains and losses on financial instruments related to trading activities		2.4.2	**79 571**	276 963
Other gains and losses		2.4.3	**(88 800)**	(231)
Operating loss			**(1 421 404)**	(949 907)
Interest income		9.1	**8 021**	3 887
Interest expense		9.1	**(56 513)**	(77 588)
Loss before tax			**(1 469 896)**	(1 023 608)
Taxation		9.3	**265 355**	250 197
Net loss for the year attributable to equity holders of the company			**(1 204 541)**	(773 411)
Loss per share attributable to the ordinary equity holders of the company:				
Basic loss per share	(cents)	2.2	**(380)**	(242)
Diluted loss per share*	(cents)	2.2	**(380)**	(242)

** Prior year diluted loss per share has been restated as potential ordinary shares were antidilutive.*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Net loss for the year attributable to equity holders of the company		**(1 204 541)**	(773 411)
Other comprehensive income/(loss) for the year		**46 807**	(22 825)
Items that may be reclassified subsequently to profit or loss:		**18 785**	(46 279)
Cash flow hedges transferred to the statement of profit or loss	7.1(d)	**(54 750)**	85 776
Cash flow hedges created/(reversed)	7.1(d)	**57 039**	(150 053)
Cost of hedging	7.1(d)	**23 801**	–
Income tax relating to these items	9.2	**(7 305)**	17 998
Items that will not be reclassified to profit or loss:		**28 022**	23 454
Remeasurements of retirement benefit obligation	8.2(d),(e)	**35 478**	33 395
Remeasurements of retirement benefit asset	8.2(c)	**955**	(2 448)
Income tax relating to these items	9.2	**(8 411)**	(7 493)
Total comprehensive loss for the year attributable to equity holders of the company		**(1 157 734)**	(796 236)

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**625 512**	485 791
Interest paid		**(62 754)**	(84 378)
Interest received		**8 021**	3 887
Income taxes paid		**(37 492)**	(73 682)
Net cash inflow from operating activities		**533 287**	331 618
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	**(305 095)**	(210 538)
Additions to intangible assets	5.3	**(6 222)**	(31 206)
Net cash outflow from investing activities		**(311 317)**	(241 744)
Cash flows before financing activities ("free cash flow")		**221 970**	89 874
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings		**(54 000)**	(54 000)
Net (repayment of)/proceeds from current borrowings*		**(413 700)**	445 084
Settlement of employee share incentives schemes	SOCIE	**(305)**	(9 230)
Payment of principal portion of lease liabilities	3.3	**(14 675)**	–
Dividends paid	SOCIE	**(58 202)**	(48 502)
Acquisition of treasury shares	3.5	**(22 000)**	–
Settlement payments in respect of share-based payment – Isizinda	6.1(d)	**(50 000)**	–
Net cash (outflow)/inflow from financing activities		**(612 882)**	333 352
Net (decrease)/increase in cash and cash equivalents		**(390 912)**	423 226
Cash and cash equivalents at beginning of year	4.1	**525 981**	111 472
Effects of exchange rate changes on cash and cash equivalents	2.4.2	**(8 862)**	(8 717)
Cash and cash equivalents at end of year	4.1	**126 207**	525 981

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

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

for the year ended 31 December 2018

	Notes	2019 R'000	2018 R'000
A Cash generated from operations			
Loss before tax		**(1 469 896)**	(1 023 608)
Net interest cost		**48 492**	73 701
Operating loss		**(1 421 404)**	(949 907)
Adjusted for non-cash flow items:			
Depreciation	5.1	**107 625**	222 271
Depreciation of right-of-use assets	5.2	**16 483**	–
Amortisation of intangible assets	5.3	**12 116**	19 003
Impairment of property, plant and equipment and intangible assets	2.4.4	**1 302 898**	1 450 814
Loss on disposal of property, plant and equipment	2.4.3	**26 455**	231
Net movement in retirement benefit asset and obligations	8.2	**48 002**	9 112
Value of employee services received under share schemes	2.4.1(a)	**6 968**	10 008
Fair value changes on derivatives		**18 726**	(1 048)
Foreign exchange losses/(gains) on cash and cash equivalents	2.4.2	**8 862**	8 717
Gain on sale of investment	2.4.3	**(2 655)**	–
Currency exchange translation on foreign debtors and creditors	2.4.2	**9 200**	(95 990)
Settlement of share-based payment – Isizinda	2.4.3; 6.1(d)	**65 000**	–
Other non-cash items		**(479)**	149
Cash generated before working capital changes		**197 797**	673 360
Changes in working capital	B	**427 715**	(187 569)
Cash generated from operations		**625 512**	485 791
B Changes in working capital			
Decrease/(increase) in inventories		**86 139**	(112 486)
Decrease/(increase) in trade and other receivables		**702 704**	(189 137)
(Decrease)/increase in trade and other payables		**(361 128)**	114 054
		427 715	(187 569)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

Note	Stated capital and Consolidated shares A R'000	Treasury shares B R'000	Hedging reserve C R'000	Employee Share-based payment reserve D R'000	BEE reserve E R'000	Retained earnings F R'000	Total equity R'000
Balance at 31 December 2017	1 817 580	–	39 999	71 201	51 776	2 668 268	4 648 824
Net loss for the year	–	–	–	–	–	(773 411)	(773 411)
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	–	–	(46 279)	–	–	–	(46 279)
– retirement benefit assets and obligations	–	–	–	–	–	23 454	23 454
Equity settled share-based payment schemes:							
– Value of employee services (note 2.4.1)	–	–	–	10 008	–	–	10 008
– Settlement and forfeiture of employee share incentives	–	–	–	(23 295)	–	14 065	(9 230)
– Tax on employee share incentives	–	–	–	–	–	(2 243)	(2 243)
Dividend paid*	–	–	–	–	–	(48 502)	(48 502)
Balance at 31 December 2018	1 817 580	–	(6 280)	57 914	51 776	1 881 631	3 802 621
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**(1 204 541)**	**(1 204 541)**
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	**–**	**–**	**18 785**	**–**	**–**	**–**	**18 785**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**28 022**	**28 022**
Equity settled share-based payment schemes:							
– Value of employee services (note 2.4.1)	**–**	**–**	**–**	**6 968**	**–**	**–**	**6 968**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(1 577)**	**–**	**1 272**	**(305)**
– Settlement of equity-settled share-based payment (note 6.1(d))	**–**	**–**	**–**	**–**	**(27 200)**	**27 200**	**–**
– Tax on employee share incentives	**–**	**–**	**–**	**–**	**–**	**(1 040)**	**(1 040)**
Acquisition of treasury shares	**–**	**(22 000)**	**–**	**–**	**–**	**–**	**(22 000)**
Dividend paid (note 3.6)*	**–**	**–**	**–**	**–**	**–**	**(58 202)**	**(58 202)**
Balance at 31 December 2019	**1 817 580**	**(22 000)**	**12 505**	**63 305**	**24 576**	**674 342**	**2 570 308**

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

NOTES TO THE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2018

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidation shares represent shares held under various BEE transactions. Further information of the group's stated capital and consolidation shares is presented in note 3.5.

B: Treasury shares

Shares in the company held by wholly-owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains and losses are recognised in the group statement of profit or loss or the statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares.

C: Hedging reserve

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

D: Employee share-based payments reserve

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

E: BEE reserve

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

F: Retained earnings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. General

1.1 Basis of preparation

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

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

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

The consolidated financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.10).

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

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading; and
- Expected to be realised within twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading; and
- It is due to be settled within twelve months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The group classifies all other liabilities as non-current.

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

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

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

1.2 New accounting standards

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

Pronouncement	Effective date	Impact
IFRS 16, 'Leases'	1 January 2019	The introduction of IFRS 16, 'Leases' requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts. The group has reviewed existing lease contracts and service arrangements to determine right-of-use assets. On transition the group has applied the modified retrospective approach and has not accounted for leases and service arrangements which come to an end within 12-months from the effective date in accordance with IFRS 16,'Leases'. IFRS 16, 'Leases' was generally adopted without restating comparative information in accordance with the transitional provisions. Refer to note 10(a) for further information on how the new leases standard has impacted the group results.

1. General continued

1.2 New accounting standards continued

Pronouncement	Effective date	Impact
Amendments to IFRS 9, Financial instruments on prepayment features with negative compensation	1 January 2019	The amendment allows instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement where they fail the 'solely a payment of principle and interest' condition The application of the revised standard has had no impact on the results of the group.
Amendments to IAS 19, 'Employee benefits', Plan amendment, curtailment or settlement	1 January 2019	If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service costs and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The application of the revised standard has had no impact on the results of the group.
Annual improvements 2015 to 2017 cycle	1 January 2019	The annual improvements cycle for the period 2015 to 2017 makes the following amendments: • IFRS 3, 'Business Combinations' and IFRS 11, 'Joint Arrangements. The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation it remeasures the previously held interest and the amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation the entity does not remeasure the previously held interest. • IAS 12, 'Income Tax'. The amendments provide clarity that the requirements of paragraph 52B apply to all income tax consequences of dividends. • IAS 23, 'Borrowing Costs'. The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity generally borrows when calculating the capitalisation rate on general borrowings. None of the above revised standards have had an impact on the results of the group.
IFRIC 23, 'Uncertainty over income tax'	1 January 2019	The IFRIC clarifies the accounting treatment in determining taxable profits, tax bases, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. The application of the revised standard has had no impact on the results of the group.

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

Hulamin will adopt these standards on their effective dates:

Pronouncement	Effective date	Impact
Definition of a Business – Amendments to IFRS 3	1 January 2020	The amendment aims to: • clarify the minimum requirements for a business, • remove the assessment of whether market participants are capable of replacing any missing elements, • add guidance to help entities assess whether an acquired process is substantive, • narrow the definitions of a business and of outputs, and • introduce an optional fair value concentration test. The amendments apply prospectively to transactions or other events that occur on or after the date of first application. The amendments to the standard are unlikely to have a material impact on the group's current operating structures. Future transactions involving a 'business' as defined will be reassessed in accordance with the revised standard.

Pronouncement	Effective date	Impact
Definition of Material – Amendments to IAS 1 and IAS 8	1 January 2020	The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments must be applied prospectively. Early application is permitted and must be disclosed. The impact of this standard cannot be reasonably estimated as specific transactions/events trigger its application.
Revised Conceptual Framework for Financial Reporting	1 January 2020	The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The impact of this standard cannot be reasonably estimated as specific transactions/events trigger its application.
IFRS 17, 'Insurance contracts'	1 January 2023 Early application is permitted for entities that apply IFRS 9, 'Financial Instruments', and IFRS 15, 'Revenue from Contracts with Customers', at or before the date of initial application of IFRS 17.	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. Hulamin is not an insurance company and thus this amendment will not have an impact on the group.
COVID-19 Related Rent Concessions (Amendment to IFRS 16)	Annual reporting periods beginning on or after 1 June 2020	The changes in COVID-19 Related Rent Concessions (Amendment to IFRS 16) amend IFRS 16 to: 1. provide lessees with exemption from assessing whether a COVID-19 related rent concession is a lease modification; 2. require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications; 3. require lessees that apply the exemption to disclose that fact; and 4. require lessees to apply the exemption retrospectively in accordance with IAS 8, but not require them to restate prior period figures. The main change from the proposal in the exposure draft is that the IASB had proposed that the practical expedient should only be available for lease payments originally due in 2020. However, after having considered the feedback to the exposure draft, the IASB decided to extend this period to June 2021 to also capture rent concessions granted now and lasting for 12 months. As Hulamin has not entered into rent concessions with its lessors, this standard is not expected to have a material impact on the group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

1. General continued

1.3 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

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

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

- Assets held for sale (note 6.2)
- Derivative assets and liabilities (note 7.1)
- Impairment of non-financial assets (note 2.4.4)

1.4 Accounting for assets and liabilities

(i) Recognition

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

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

(ii) Derecognition

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

All other assets are derecognised on disposal or when they no longer meet the definition of an "asset" as prescribed by the Framework.

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

1.5 Financial instruments – initial recognition and subsequent measurement

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

(i) Financial assets

Initial recognition and measurement

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

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

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

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

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

The group's financial assets at amortised cost includes trade receivables.

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

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

(ii) Financial liabilities

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

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

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

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

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

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

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

The accounting policy on derivatives is detailed in note 7.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2019

1. General continued

1.6 Significant accounting judgements, estimates and assumptions

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

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

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

(ii) Post-retirement benefit obligations

Actuarial valuations of post-retirement benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, health care costs, inflation rates and salary increments. Management experts are used to assist with valuations of post employment benefit obligations. Refer to note 8.2.

(iii) Share-based payment transactions

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

(iv) Impairment of non-financial assets

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

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

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

The group holds a 38.7% (2018: 38.7%) interest in Isizinda. Management have assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10. These requirements were assessed in conjunction with the substance of various contractual terms including those relating to the funding arrangements and operating activities of Isizinda. Hulamin manages and directs the relevant activities of Isizinda through the Strategic Operator Agreement, read with reference to its Slab Supply Agreement with Isizinda, and is exposed to variable returns in the form of slab pricing and output, which is controlled by Hulamin. In terms of the facility agreement entered into between Hulamin and Isizinda, dividends and any other form of distributions require Hulamin's consent. The investment in Isizinda is accounted for as a subsidiary.

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

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

The group included the renewal period as part of the lease term for leases of buildings. The group typically exercises its option to renew for these leases because these buildings are required for staff occupation.

(vii) Assets held for sale

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

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

For more details on the assets held for sale refer to note 6.2.

(viii) Taxes

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

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

(ix) Leases – Estimating the incremental borrowing rate

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

(x) Provision for expected credit losses of trade receivables

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

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

1.7 Foreign currencies

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

1.8 Contingent liabilities

The group has no contingent liabilities as at 31 December 2019 (2018: Rnil).

1.9 Events after the reporting period

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

(i) Transaction relating to Isizinda Aluminium Proprietary Limited ("Isizinda")

In terms of an agreement entered into between the shareholders of Isizinda, Bingelela Capital Proprietary Limited ("Bingelela") and Hulamin Operations Proprietary Limited ("Hulamin Operations"), Hulamin Operations acquired the rolling slab casting business and assets of Isizinda, effective 1 January 2020, and entered into a lease agreement with Isizinda to continue operating this casting facility. Further details relating to the restructure of Isizinda are set out in note 6.1 (d). Upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10 'consolidated financial statements', have changed materially from principally producing rolling slab to managing its investment property and completing the disposal of its remaining assets, including its property, in line with the terms of the restructuring agreement entered into between Bingelela, Hulamin Operations and Isizinda.

(ii) Economic impact of COVID-19

Impact on sales and operations

Following President Ramaphosa's announcement of a 21-day nationwide lockdown on Monday, 23 March 2020, Hulamin closed operations on Thursday, 26 March 2020. At the point of closing, quantities of customer finished goods were retained on- and off-site in order to ensure customer supply continuity of food and beverage related packaging products. Hulamin supplies approximately 45% of its products into packaging applications.

On 1 April 2020, Hulamin received a certificate from the Companies and Intellectual Properties Commission (CIPC), designating its packaging product operations as "essential services". A phased restart of packaging operations commenced in early April. Strict COVID-19 work protocols were implemented to protect the health of employees, including extensive COVID-19 testing of employees and contractors. On 9 April, President Ramaphosa announced a 14-day extension to the national lockdown in South Africa. Hulamin's operations were disrupted in late April due to two positive COVID-19 cases. Operations were shut for deep cleaning and all employees were re-tested prior to coming back to work. Operations recommenced early May. On 1 May 2020, the country was moved to alert level 4 which permitted Hulamin to operate at 50% employment. On 1 June 2020, the country has moved to alert level 3 which significantly eases restrictions for Hulamin and its local customers.

1. General continued

1.9 Events after the reporting period continued

The group has historically generated approximately 55% – 60% of its sales in international markets. North America and Europe represent the most material export markets and have, in a similar manner to the local South African market, been significantly negatively impacted by the COVID-19 pandemic. These markets have had various degrees of lockdowns implemented which constrained consumer demand. Resulting largely from the COVID-19 pandemic the group has seen the reductions in volumes of around 33% in the 4 months to April 2020, versus the prior comparative period. The local market was the most significantly impacted, with reductions in volumes of around 45%. Automotive (-38%), local canstock (-57%) and distributor products (-51%) have been the most heavily impacted product categories. Export canstock and heat-treated plate volumes were marginally ahead of the prior comparative period.

Impact on derivatives and hedge accounting
The COVID-19 pandemic has had an adverse impact, not only on operations and sales volumes, but also on commodity prices and currencies.

The significant weakening of the rand and LME over a short period of time and the sharp decline in sales volumes due to the national lockdown and global events, resulted in excess hedges relative to the 50% metal price lag ("MPL") hedge objective (see further details on Hulamin's hedging strategy in notes 7.1(a) and (b)) but not in excess of the full exposure on the inventory currently held.

The USD/ZAR exchange rate weakened 36% from ZAR14.12/USD at the end of December 2019 to a high of ZAR19.22/USD during April 2020. This resulted in substantial cash outflows on MPL currency hedges that matured in March, April and May. In addition, currency hedges that were put in place in the beginning of 2020, to hedge the conversion margin of export sales also resulted in negative cash flows. Although most of the negative outflows from maturing currency hedges were offset by higher revenue, there is a timing difference as hedges generally mature in the month of sale while receipts from customers are generally received 30 to 60 days later.

During the same period the Aluminium price, as quoted on the London Metals Exchange, weakened 21% from $1 800 to a low of $1 422. This resulted in a positive cash flow from the MPL commodity hedges, which was far less than the outflow from the currency hedges.

The MPL hedging programme was suspended at the end of March 2020 in order to reduce potential cash flow volatility from the commodity and currency hedges. This will be re-evaluated once the outlook becomes more stable. A large portion of the hedges maturing in March 2020, April 2020 and May 2020 were deemed ineffective in terms of IFRS 9 for the following reasons:

» Lower overall sales in local and export markets due to the impact of COVID-19 (prior to the spread of COVID-19, management were forecasting strong demand in these months);

» The value of USD denominated sales decreased due to lower sales into the USA; and

» The total Dollar value of sales decreased due to a lower underlying aluminium price.

Liquidity and cash preservation
Hulamin closed 2019 with a strong balance sheet, with net debt of R272 million and a net debt to equity ratio of 10.6% (refer note 7.4) and considerable headroom in its debt facilities of, in excess of R1 billion (refer note 7.3). In terms of the covenant definition with Hulamin's bankers, the net debt (including letters of credit) to equity (adjusted for intangibles and deferred tax asset) ratio was 16.3% at 31 December 2019, against a covenant level of 50%. Due to the severe impact of COVID-19 on the group's operations, sales and derivative hedging programme, net debt increased to R654 million at 30 April 2020, with a net debt to equity ratio of 41.7% (in terms of the banking covenant definition). Headroom in facilities reduced to R512 million, impacted both by the increase in debt and the reduction in the level of eligible inventory and receivables security, following the sharp decrease in activity levels.

The outbreak of the pandemic, and its consequential economic impacts, requires unprecedented and strong actions. Accordingly, Hulamin has put on hold all uncommitted non-urgent capital expenditure, sharply reduced metal procurement, eliminated variable costs and reduced fixed costs where possible so as to preserve and protect cash flow and the balance sheet. Presently, the group is able to operate up to full production capacity, whilst practicing the required protective measures to limit the spread of the virus on site, and is therefore able to capitalise on opportunities available, although demand side risk continues to exist.

This uncertainty and its impact on the going concern assumption has been further detailed in note 1.10.

Statement of financial position
The impact of COVID-19 is considered a non-adjusting subsequent event in respect of the 2019 financial statements. Certain line items in the statement of financial position may be impacted in the 2020 financial statements. Below are indications of how material line items in the statement of financial position may be affected:

Impact on trade and other receivables
We have seen a delay in customer payments as most local customers only resumed operations during the government lockdown level 3. The group also covers trade receivables through the Credit Guarantee Insurance Company (CGIC) (refer to note 4.3). We are actively engaging with customers regarding outstanding balances in conjunction with CGIC.

Impact on retirement benefit assets
At the end of March 2020, the net asset position was 8.6% lower than at December 2019, but the market has subsequently recovered significantly. This is a long-term asset and will be held for a further estimated 19 years.

Impact on the impairment assessment of property, plant and equipment, intangibles, right-of-use asset and deferred tax assets
The above factors (and those detailed in note 1.10) may impact both on the future recoverability of deferred tax assets and on future impairment assessments of property, plant and equipment, intangibles and the right-of-use asset. However these impacts are uncertain. The impact of COVID-19 is expected to be most pronounced on near-term cash flows, which have a lower effect on possible asset impairment than on the recoverability of the deferred tax assets.

The exchange rate assumptions used in the impairment assessment are explained in note 2.4.4 and reflect a forecast for the South African Rand that is considerably stronger than the exchange rates of the second quarter of 2020. The positive effect on profits of a weaker Rand may largely be offset by lower sales volumes and lower USD-denominated prices during the same timeframe. The exchange rate, sales volumes and USD prices would also likely affect the value of working capital, with the lower USD aluminium price also offsetting the effect of a weaker Rand. The combined off-setting effect of these factors on future cash flows is uncertain and may lead to a higher market risk premium within the discount rate for the next impairment assessment. However any higher risk premium may be offset by lower interest rates, resulting in an uncertain movement in the future weighted average cost of capital.

The extent to which these areas are impacted will depend on future developments relating to the above uncertainties which cannot be predicted at this time.

(iii) US Anti-dumping petition against imports of common alloy sheet

On 9 March 2020, a petition was filed in the United States (“US”) by domestic US producers against imports of aluminium common alloy sheet from 18 countries, including South Africa. The petition claims material harm to the US aluminium industry and seeks tariff relief in the form of anti-dumping countervailing duties. The total US common alloy sheet market is approximately 2 million tons per annum of which domestic US producers have historically supplied less than 65% of the market. Hulamin’s share of this market is less than 2%.

Hulamin sells a range of products into the US, including common alloy sheet. On average, over the past three years, Hulamin’s sales of common alloy sheet into the US amounted to approximately 12% of the total sales of Hulamin Rolled Products. Hulamin’s share of the US common alloy sheet market is less than 2%. Preliminary investigations by the International Trade Commission (“ITC”), a department within the US Government, have been completed. The final portion of the ITC’s investigation will be initiated should the Department of Commerce issue an affirmative decision in its preliminary investigation, which is expected on or about 16 August 2020. Any final investigation is expected to be completed by December 2020.

Hulamin strongly contends that it has not dumped its product into the US nor caused material harm to the domestic industry and has appointed legal counsel in the US to support this contention. Hulamin will, however, cooperate fully with any investigations.

If duties are ultimately imposed on product supplied by the 18 countries, it is likely that the rates applied could vary between the different countries. Hulamin is accordingly unable to determine at this stage what the impact of any duties imposed might be.

This uncertainty and its impact on the going concern assumption has been further detailed in note 1.10.

(iv) Metal supply

The primary metal supply agreement with South32 was due for renewal in December 2019. Hulamin and South32 concluded an agreement for the supply of molten and solid primary aluminium for the next 5 years (January 2020 to December 2024) on 30 January 2020.

The initial term of the agreement terminates on 31 August 2020 but will be extended to 31 December 2024 if Eskom and South32 obtain the necessary approvals in relation to their agreement on electricity supply by this date.

The boards of Eskom and South32 have approved conditional pricing and terms and submitted an application to the National Energy Regulator of South Africa (“NERSA”) to review the new pricing for Hillside in August 2019. The final processing of the application is subject to the approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy, where after NERSA will be able to finalise the application.

Due to the current extraordinary period, it is likely that delays in progressing the NERSA approval process can be expected.

This uncertainty and its impact on the going concern assumption has been further detailed in note 1.10.

1. General continued

1.10 Going concern

The financial statements of the Hulamin Group for the year ended 31 December 2019 have been prepared on the going concern basis.

The factors that have been considered in reaching this conclusion are as follows:

- Hulamin's 2019 financial performance and position
- Trading conditions in 2020 and outlook
- Liquidity and access to funding facilities
- Indicators of uncertainty
- Scenarios and forecasts
- Litigation and claims

These matters are considered below:

a. 2019 financial performance and position

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

EARNINGS		2019	2018
Operating loss before interest and tax	R'000	**(1 421 404)**	(949 907)
Net loss	R'000	**(1 204 541)**	(773 411)
Loss per share (Basic)	cents	**(380)**	(242)
Headline (loss)/earnings per share (Basic)	cents	**(76)**	91
Normalised EBITDA	R'000	**313 327**	677 984
Cash flow and financial position			
Cash flow from operating activities	R'000	**533 287**	331 618
Cash flow before financing activities ("free cash flow")	R'000	**221 970**	89 874
Net debt	R'000	**272 369**	293 803
Equity	R'000	**2 570 308**	3 802 621
Net debt/equity ratio	%	**10.6**	7.7
Net current assets	R'000	**1 799 935**	2 227 040
Current ratio	times	**2.3**	2.0

Profit and earnings performance
Hulamin Rolled Products

Hulamin Rolled Products experienced challenging conditions in 2019. Other than weakening market conditions both locally and internationally, trading conditions for Hulamin in the USA became increasingly difficult.

The US common alloy market moved sharply into an overstocked position in 2019. The anti-dumping and countervailing duties imposed on Chinese exporters of common alloy to the US in 2018 led to a surge in imports of common alloy from non-Chinese sources, resulting in excess supply. This has been exacerbated by increased availability in the US market from domestic producers.

After a long history of trading in partnership, Hulamin's single distribution channel into the US market suspended its normal procurement pattern from Hulamin early in quarter 3, citing extreme overstocking, impacting Hulamin's sales of heat-treated plate and common alloy products in that market in 2019.

This resulted in a reduction in the sales of common alloy products by some 25% and heat-treated plate by 29%.

In addition, automotive markets globally exhibited a slowdown throughout the year, resulting in a 15% reduction in Hulamin's sales into this industry sector.

These impacts were partly offset by improvements in sales into the can market, with local can stock sales improving 22% over 2018.

All of these factors combined to limit Hulamin Rolled Products sales volumes to 204 000 tons for the year, some 10% lower than the 228 000 tons recorded in 2018. Due to the high fixed manufacturing cost base of the business, the impact on operating profit of this sharp reduction in volume has been severe.

The benefit from a weaker currency, which was 9% weaker than the prior year, was offset by the negative impacts of higher cost inflation, commodity prices and pressure on conversion margins. As a result of the above negative impacts, Hulamin developed a turnaround plan to improve sales, reduce costs and optimise working capital.

These actions have now been completed, with approximately 250 employees having left the group (including Hulamin Extrusions) and contractor reductions, as well as other non-manpower savings, having been recorded. Costs have been reduced by in excess of R250 million per annum as a result of these actions, most of which will impact the business in 2020. In addition, the level of working capital was reduced since peaking in the first half 2019.

Hulamin Extrusions
A major 11-week disruption to the largest press in Hulamin Extrusions in quarter 1 significantly impacted sales volumes, working capital, customer service and profits. The press has been restored to full operating capacity.

A restructuring of Hulamin Extrusions during 2019 resulted in the closure of its Olifantsfontein plant and the consolidation of production at its Pietermaritzburg operation. An agreement has since been concluded for the sale of the property, plant and equipment of the Olifantsfontein plant for R55 million.

This resulted in a reduction in normalised EBITDA by 54% from the previous year.

In addition to the factors detailed above, the following items contributed to a net loss of R1 204.5 million (2018: net loss of R773.4 million):

- a negative metal price lag of R68 million, resulting from the decline in the aluminium price during 2019;
- restructuring costs of R114 million, resulting from the turnaround and restructuring programmes referred to above;
- a charge to profit and loss of R65 million arising from the restructuring of Isizinda Aluminium Proprietary Limited ("Isizinda") – refer note 6.1(d); and
- an impairment charge of R1.3 billion relating to both Hulamin Rolled Products and Hulamin Extrusions – refer note 2.4.4.
  These impairments relate to both a reduction in the 5-year forecast cash flows of the primary cash-generating units, reflecting the softer outlook in market conditions, as well as an increase in the Company's weighted average cost of capital which takes account of increased uncertainty in the macro environment and the associated rise of risk indicators.

Liquidity and solvency
The group's net borrowings were R225.9 million and net debt was R272.4 million at 31 December 2019. This represents a net debt to equity ratio of 10.6%.

b. Trading conditions in 2020 and outlook

As set out in note 1.9, the lockdowns implemented in South Africa and globally have disrupted operations and constrained consumer demand. This has led to a sharp reduction in sales volumes of around 34% in the 4 months to April 2020, compared with the prior comparative period. The local market was more heavily impacted than exports, with the automotive, local canstock and distributor product categories most affected. Export canstock and heat-treated plate sales proved more resilient.

In addition, the significant weakening of the Rand and the LME aluminium price and the sharp fall in sales volumes has resulted in excess hedges relative to Hulamin's hedge objectives, negative cash outflows from derivatives, and hedge ineffectiveness.

Domestic market
Sales in the local market have, in recent years, been hampered by the slow growth in the local economy and increased import competition with lower local sales levels anticipated than in the previous business plan.

However, the conversion of the local beverage can market to the all-aluminium can has supported demand for local can body stock, which has also allowed Hulamin to increase its purchases of can maker's scrap and used beverage cans (UBCs) to reduce its metal procurement costs.

Hulamin's application for local import tariff protection is currently being assessed by ITAC in terms of its process. A positive ruling thereon is anticipated to have a significant positive impact on Hulamin's local sales volumes, particularly additional can body stock, foil and local distributor products.

In the short term however, the emergence of the COVID-19 pandemic in the first quarter of 2020 has resulted in a substantial reduction in local market demand as various customers find themselves unable to operate for extended periods of time during the national lockdown that has ensued since late March 2020. Underlying demand for aluminium rolled products in various industries has been negatively impacted by the lockdowns and economic impacts arising from COVID-19.

Sales of material for the heat exchanger market remain an important element of local sales and are expected to be around 35% lower in 2020 than typical historic levels, due to the substantial global decline in automotive sales.

These sales are anticipated to remain under pressure through 2021, with recovery to 2017/2018 levels only during 2022.

The foil business remains challenging, however a perpetuation of the current Rand weakness to the US dollar and/or a successful outcome to Hulamin's duty application may result in further local foil supply opportunities.

1. General continued

1.10 Going concern continued

International market

Hulamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of lower value, more commoditised products referred to as common alloy.

Significant curtailment in demand in the US for both common alloy sheet/coil and heat-treated plate throughout 2019 had a severe impact on Hulamin Rolled Products. Although sales of heat-treated plate have improved, the impact of coronavirus on fabrication, automotive and aerospace markets may have a negative impact on these sales for the remainder of 2020.

The common alloy product market in the US remains in surplus and prices continue to fall. As a result, the US Aluminium Association has petitioned for anti-dumping and countervailing duties to be imposed on 18 countries, including South Africa, and an investigation by the US authorities has commenced (refer note 1.9). This may curtail Hulamin's sales of common alloy products into this market in 2020, which could require Hulamin to shift more common alloy sales into Europe. The outcome of the investigation is likely to conclude in late 2020.

c. Liquidity and funding

Hulamin's facilities of R1.5 billion comprise a committed working capital facility of R1.0 billion and a 360-day notice general borrowing facility ("GBF") of R500 million. The GBF is comprised of direct facilities (overdraft and loans with a tenor of less than 360 days) of R200 million and indirect facilities (letters of credit and guarantee) of R300 million. These borrowing facilities were renewed in September 2019 and remain in place until September 2022.

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

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

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

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

Covenant	Required Level
Stock cover ratio	>1.5 times
Collateral cover ratio	>1.2 times

As noted above, Hulamin closed 2019 with a strong balance sheet, with net debt of R272 million and a net debt to equity ratio of 10.6% and considerable headroom with respect to its financial covenants and in relation to its direct borrowing facilities of, in excess of R1 billion.

As detailed in note 1.9, due to the severe impact of COVID-19, net debt increased rapidly to R652 million at 30 April 2020, with a net debt to equity ratio of 41.6% (in terms of the banking covenant definition).

Headroom in facilities reduced to R427 million, impacted both by the increase in debt and the reduction in the level of eligible inventory and receivable security, following the sharp decrease in activity levels.

Hulamin has implemented the following measures to improve its liquidity position while it ramps up performance following the return to alert level 3 in South Africa:

- Management of the cash cycle by way of increased sales to customers offering supply chain financing programmes and metal procurement on short commitment cycles;
- Deferral of non-urgent operational and capital expenditure; and
- A product sale agreement with a US-based company to support Hulamin's direct route to market in the USA, which will improve liquidity by around R75 million from July 2020.

d. Indicators of uncertainty

Hulamin's sales are largely based on or denominated in US Dollars or Euros, whilst most of Hulamin's operating costs are incurred in Rand. As such, the Group's results and financial condition will be impacted if there is a material change in the Rand/US dollar exchange rate. In the first quarter of 2020, Hulamin Rolled Products hedged its US Dollar and Euro conversion margins through to the end of the year and will therefore not benefit from undue Rand weakness in 2020.

High levels of volatility in currency levels and aluminium prices may also impact on cash flow and profitability through the metal price lag ("MPL") and related hedging activities. As detailed in note 1.9, Hulamin suspended its MPL hedging programme at the end of March 2020 in order to reduce potential further cash flow volatility from the commodity and currency hedges.

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

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

i) Continuity of primary aluminium supply from South32

Whilst, management consider it unlikely that either a lack of approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy or an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32 beyond August 2020, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

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

The outlook for common alloy sales in the USA from 2021 onwards will depend on the outcome of the anti-dumping investigation, which could result in one of these possible outcomes:

- The investigation concludes that there is no material harm to US aluminium industry and thus no dumping order is implemented;
- AD duties are implemented across all 18 importing countries with Hulamin (South Africa) receiving a relatively average dumping margin that neither provides a material advantage or disadvantage to Hulamin relative to other importers;
- AD duties are implemented with Hulamin receiving a relatively low dumping margin, thus providing a relative advantage against its competitor importers for sales on common alloy in the USA; or
- AD duties are implemented and Hulamin suffer a larger dumping margin than many of its competitors, resulting in a relative disadvantage against its competitors.

Hulamin is unable to determine at this stage what the impact of any duties imposed might be.

iii) The economic impact of COVID-19

Although Hulamin is currently able to operate fully under alert level 3, a number of uncertainties prevail as a result of the impact of COVID-19 on local and international economies. These uncertainties include:

- Turmoil in the world economy and the possible adverse impact over the short to medium term on the demand for Hulamin's products, particularly alcoholic beverage packaging and automotive heat exchange products;
- Possible further extensions of the lockdown periods and/or a delay in ramping up South African operations with an impact on local market demand;
- Extended lockdown and delayed return to normal capacity by our key international customers and the economies in which they operate;
- Health and wellbeing of our employees after the extended lockdown; and
- Financial market disruptions and access to funding.

The background to these matters is set out in note 1.9.

These uncertainties have been included in management's scenarios and forecasts detailed below.

e. Scenarios and forecasts

Management considered various scenarios through to the end of 2021, which included operational and demand limitations in South Africa as well as in international markets, combined with different outcomes relating to the US anti-dumping duty investigation and the local application for duties on imports of rolled products.

The 4 scenarios are as follows:

Key uncertainties	Scenario 1	Scenario 2	Scenario 3	Scenario 4
Local market demand and trade dynamics	• Strong recovery in local market • Local duty application successful	• Strong recovery in local market • Local duty application successful	• Slow recovery and weak demand in local market • Local duty application unsuccessful	• Slow recovery and weak demand in local market • Local duty application unsuccessful
Export market demand and trade dynamics	• Strong recovery in export market • US AD investigation leads to relative advantage for Hulamin	• Slow recovery and weak demand in export market • US AD investigation leads to relative disadvantage for Hulamin	• Strong recovery in export market • US AD investigation leads to relative advantage for Hulamin	• Slow recovery and weak demand in export market • US AD investigation leads to Hulamin being neither advantaged or disadvantaged

1. General continued

1.10 Going concern continued

The downside scenario, scenario 4, envisages that:

- Public health responses are insufficient locally and globally to sufficiently contain the spread of COVID-19.
- The demand shock from protracted social distancing measures globally results in a wave of business closures across the world, escalating unemployment levels and a far slower economic recovery post containment of the virus.
- Demand for non-packaging aluminium rolled products remains low through 2020 and into 2021. Even demand for canstock reduces somewhat as economies wade through a protracted recession.
- High unemployment levels in South Africa result in an increase in social unrest and crime.

The base case scenario envisages a moderate recovery in both local and international markets, with no advantage or disadvantage accrued from the anti-dumping investigation in the USA, and Hulamin's application for local import duties is not successful.

In the base case, sales volumes of 174kt tons are envisaged for 2020, rebounding to 222kt in 2021. Exchange rates average R16.68/USD in 2020 and R15.97/USD in 2021. The LME aluminium price remains below USD1600/t.

In scenario 4, sales volumes of 156kt tons are envisaged for 2020, rebounding to 203kt in 2021. Exchange rates average R17.76/USD in 2020 and R17.25/USD in 2021. The LME aluminium price remains below USD1500/t.

While management acknowledges that there are uncertainties in modelling the different scenarios attributable to the COVID-19 pandemic, management remain confident that the group's liquidity needs can be satisfied under any of the probable scenarios and that Hulamin will continue to meet its debt covenant requirements and remain liquid and solvent for at least a 12-month period after the date of approving these financial statements.

However, a more adverse impact of the various uncertainties than included in the above scenarios, or a different combination thereof, could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs. The Group may also, if necessary under such circumstances, be required to consider raising additional loan facilities or equity capital. Management also notes the risks related to the US Tarrifs and South32, and that if they had to materialise could have an adverse impact of the company's going concern.

f. Litigation and claims

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

2. Performance: measures used to assess performance

2.1 Reportable segment analysis

(a) Accounting policies and significant judgements

Description of segments and principal activities

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

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

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

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

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

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

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

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

(b) Segmental revenue, earnings and other disclosures

	2019			2018		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from contracts with customers:						
External	**9 957 173**	**751 408**	**10 708 581**	10 640 844	892 974	11 533 818
Timing of revenue recognition:						
– At a point in time	**9 881 107**	**751 408**	**10 632 515**	10 558 422	892 974	11 451 396
– Over time	**76 066**	**–**	**76 066**	82 422	–	82 422
Earnings						
EBITDA**	**104 766**	**(87 048)**	**17 718**	745 198	(3 017)	742 181
Impairment of property, plant and equipment and intangibles	**(1 266 979)**	**(35 919)**	**(1 302 898)**	(1 376 319)	(74 495)	(1 450 814)
Depreciation and amortisation	**(123 142)**	**(13 082)**	**(136 224)**	(215 329)	(25 945)	(241 274)
Operating loss	**(1 285 355)**	**(136 049)**	**(1 421 404)**	(846 450)	(103 457)	(949 907)
Interest received	**8 002**	**19**	**8 021**	3 847	40	3 887
Interest paid	**(47 460)**	**(9 053)**	**(56 513)**	(77 582)	(6)	(77 588)
Loss before tax	**(1 324 813)**	**(145 083)**	**(1 469 896)**	(920 185)	(103 423)	(1 023 608)
Taxation	**265 820**	**(465)**	**265 355**	252 423	(2 226)	250 197
Net loss for the year	**(1 058 993)**	**(145 548)**	**(1 204 541)**	(667 762)	(105 649)	(773 411)
Reconciliation of net loss (used in calculating earnings per share) to headline earnings						
Net (loss)/profit for the year	**(1 058 993)**	**(145 548)**	**(1 204 541)**	(667 762)	(105 649)	(773 411)
Loss on disposal of property, plant and equipment	**26 455**	**–**	**26 455**	231	–	231
Impairment of property, plant and equipment and intangibles	**1 266 979**	**35 919**	**1 302 898**	1 376 319	74 495	1 450 814
Profit on disposal of investment in Almin Metal Industries Limited (note 6.2(i))	**–**	**(2 655)**	**(2 655)**	–	–	–
Tax effect	**(362 161)**	**–**	**(362 161)**	(385 434)	–	(385 434)
Headline (loss)/earnings for the year	**(127 720)**	**(112 284)**	**(240 004)**	323 354	(31 154)	292 200
Reconciliation of (loss)/headline earnings to normalised EBITDA**						
Headline (loss)/earnings for the year	**(127 720)**	**(112 284)**	**(240 004)**	323 354	(31 154)	292 200
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting	**24 835**	**–**	**24 835**	(60 921)	–	(60 921)
Restructuring costs	**75 757**	**38 639**	**114 396**	–	–	–
Metal price lag	**67 577**	**–**	**67 577**	(3 507)	–	(3 507)
Settlement of share-based payment – Isizinda (note 6.1.(d))	**65 000**	**–**	**65 000**	–	–	–
Tax effect	**(47 087)**	**(10 819)**	**(57 906)**	18 040	–	18 040
Normalised (loss)/headline earnings (note A)	**58 362**	**(84 464)**	**(26 102)**	276 966	(31 154)	245 812
Interest paid	**47 460**	**9 053**	**56 513**	77 582	6	77 588
Interest income	**(8 002)**	**(19)**	**(8 021)**	(3 847)	(40)	(3 887)
Taxation	**143 429**	**11 284**	**154 713**	114 971	2 226	117 197
Normalised EBIT* (note A)	**241 249**	**(64 146)**	**177 103**	465 672	(28 962)	436 710
Depreciation and amortisation	**123 142**	**13 082**	**136 224**	215 329	25 945	241 274
Normalised EBITDA (note A)**	**364 391**	**(51 064)**	**313 327**	681 001	(3 017)	677 984
Total assets	**4 032 486**	**227 542**	**4 260 028**	6 194 109	317 350	6 511 459
Total liabilities	**1 539 212**	**150 508**	**1 689 720**	2 605 848	102 990	2 708 838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2019

2. Performance: measures used to assess performance continued

2.1 Reportable segment analysis continued

	2019			2018		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Other disclosures						
Additions to property, plant and equipment and intangible assets	**280 242**	**31 075**	**311 317**	215 248	26 496	241 744
Currency conversion						
Rand/US dollar average			**14.45**			13.25
Rand/US dollar closing			**14.01**			14.43

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

Sales to the largest five customers of the Hulamin Rolled Products segment accounts for 47% of total group revenue.

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

A: Normalised EBIT, normalised EBITDA, headline earnings and normalised headline earnings
Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2019 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, normalised EBITDA and normalised headline earnings per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2018 annual financial statements. Normalised headline earnings per share is calculated by dividing normalised headline earnings by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings is defined as headline earnings excluding (i) metal price lag and (ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the group. Normalised EBIT and EBITDA are similarly derived.

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

2.2 Earnings per share

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

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

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

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

	December 2019 Number of shares	December 2018 Number of shares
Weighted average number of shares used for basic and diluted EPS*	**317 287 805**	319 596 836
Share options	**4 543 138**	7 807 318

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

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

		2019		2018	
		Gross R'000	Net R'000	Gross R'000	Net R'000
Net loss for the year			**(1 204 541)**		(773 411)
Adjustments		**1 326 698**	**964 537**	1 451 045	1 065 611
– Impairment loss on property, plant and equipment and intangible assets		**1 302 898**	**948 144**	1 450 814	1 065 445
– Gain on disposal of investment in Almin Metals Industries (note 6.2(i))		**(2 655)**	**(2 655)**		
– Loss on disposal of property, plant and equipment		**26 455**	**19 048**	231	166
Headline earnings			**(240 004)**		292 200
Headline earnings per share					
Basic	(cents)		**(76)**		91
Diluted**	(cents)		**(76)**		91
Reconciliation of headline (loss)/earnings to normalised (loss)/ earnings					
Headline (loss)/earnings for the year			**(240 004)**		292 200
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting			**24 835**		(60 921)
Restructuring costs			**114 396**		–
Metal price lag			**67 577**		(3 507)
Settlement of share-based payment – Isizinda (note 6.1(d))			**65 000**		–
Tax effect			**(57 906)**		18 040
Normalised headline earnings			**(26 102)**		245 812
Normalised headline earnings per share					
Basic	(cents)		**(8)**		(77)
Diluted**	(cents)		**(8)**		(77)

*** Prior year diluted loss per share has been restated as potential ordinary shares were antidilutive. Accordingly prior year diluted headline earnings per share and diluted normalised headline earnings per share have been restated.*

Information concerning the classification of securities

(i) Options

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

47 214 968 options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2019. These options could potentially dilute basic earnings per share in the future.

(ii) Bonus shares

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

2. Performance: measures used to assess performance continued

2.3 Revenue from contracts with customers

(a) Accounting policies and significant judgements

(i) Sale of goods

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

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

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts.

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

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

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

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

(ii) Transportation services

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

(iii) Time value of money

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

(b) Disaggregation of revenue from contracts with customers

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

	2019 R'000	2018 R'000
Analysis of revenue by product market:		
Automotive and transport	**1 194 723**	1 400 396
Building and construction	**259 207**	263 180
General engineering	**3 702 585**	4 907 080
Packaging	**5 552 066**	4 963 162
	10 708 581	11 533 818
Geographical analysis of revenue:		
South Africa	**4 659 035**	4 691 267
North America	**2 207 098**	3 308 552
Europe	**2 435 942**	2 407 609
Asia	**376 207**	462 290
Middle East	**86 285**	239 362
Australasia	**75 611**	77 779
South America	**430 022**	320 948
Rest of Africa	**438 381**	26 011
	10 708 581	11 533 818

(c) Transportation services

There are contracts with customers which require that the group provides transportation services as a separate performance obligation. The group acts as a principal in these transactions. The performance obligation is satisfied and payment is due upon the final delivery of the goods to the customer.

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

	2019 R'000	2018 R'000
Within one year	**3 543**	7 273

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items

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

2.4.1 Expenses by nature

	2019 R'000	2018 R'000
Aluminium and other material costs	**6 757 735**	7 255 827
Utilities and other direct manufacturing costs	**1 263 731**	1 187 127
Employment costs (note 2.4.1(a))	**1 200 513**	1 241 193
Termination benefits (note 2.4.1(b))	**114 396**	–
Depreciation (note 5.1)	**107 625**	222 271
Depreciation on right-of-use assets (note 5.2)	**16 483**	–
Amortisation of intangible assets (note 5.3)	**12 116**	19 003
Repairs and maintenance	**305 816**	291 799
Freight and commissions	**544 284**	469 425
Impairment of property, plant and equipment and intangible assets (note 2.4.4)	**1 302 898**	1 450 814
Other operating income and expenditure	**495 159**	622 998
	12 120 756	12 760 457
Classified as:		
Cost of sales of goods	**9 929 196**	10 583 507
Cost of providing services	**76 066**	82 422
Selling, marketing and distribution expenses	**520 020**	448 237
Administrative and other expenses (including net impairment losses on financial assets) (note 2.4.5)	**292 576**	195 477
Impairment of property, plant and equipment and intangible assets (note 2.4.4)	**1 302 898**	1 450 814
	12 120 756	12 760 457

2.4.1(a) Employee benefit costs

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

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

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

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

	2019 R'000	2018 R'000
Employment costs		
Salaries and wages	**1 103 179**	1 143 886
Retirement benefit costs:		
Defined contribution schemes (note 8.2)	**68 167**	64 926
Defined benefit scheme (note 8.2)	**(8 764)**	(9 254)
Post retirement medical aid costs (note 8.2)	**23 757**	24 559
Retirement gratuities (note 8.2)	**7 206**	7 068
Share incentive costs	**6 968**	10 008
	1 200 513	1 241 193

2.4.1(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is the scope of IAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(i) Hulamin Extrusions

The Hulamin Extrusions business has been negatively impacted in recent years by increasing competition from Chinese extrusion imports, rising operating costs and overheads and the failure of key operating assets, leading to the business incurring significant losses in both the current and the prior financial year. As a consequence, the business commenced a consultation process with employees in May 2019 relating to the proposed closure of its Olifantsfontein operation and the restructuring of its Pietermaritzburg operation. An agreement with employees and union representatives was reached in October 2019 which resulted in the retrenchment of a number of employees.

(ii) Hulamin Rolled Products

Hulamin Rolled Products experienced challenging trading conditions during 2019. Export sales to the United States were disrupted by blockages in our distribution channel, customer overstocking, and a softening underlying market. Management implemented a turnaround plan for Hulamin Rolled Products. One of the objectives of the plan was a reduction in the cost base. This led to a consultation process being entered into with employees in July 2019. An agreement with employees and union representatives was reached in October 2019, resulting in the retrenchment of a number of employees.

	2019 R'000
Termination benefits can be attributable as follows:	
Hulamin Rolled Products	**75 757**
Hulamin Extrusions	**38 639**
	114 396

2.4.2 Gains and losses on financial instruments related to trading activities

The group is exposed to fluctuations in aluminium prices and exchange rates, and hedges these risks with derivative financial instruments. The group applies hedge accounting to gains and losses arising from certain derivative financial instruments. Hedges of forecast sales transactions are, where effective, accounted for as cash flow hedges.

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

Other gains and losses includes, i*nter al*ia, the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments (including the ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains.

	2019 R'000	2018 R'000
Foreign exchange gains on debtors and creditors balances	**(9 200)**	95 991
Foreign currency denominated cash balances	**(8 862)**	(8 717)
Valuation adjustments on non-derivative items	**(18 062)**	87 274
Foreign exchange contracts: firm commitments, debtors and creditors balances	**76 527**	35 356
Commodity futures	**21 106**	154 333
Valuation adjustments on derivative items*	**97 633**	189 689
Gains and losses on financial instruments related to trading activities	**79 571**	276 963

** Included in the above for 2018 are fair value adjustments and re-allocations arising from commodity futures used to hedge the metal price lag.*

During the previous financial year, management identified that the expectation of prospective effectiveness of commodity hedges did not exist and therefore the requirements to hedge account commodity derivative instruments were not satisfied. Economically, Hulamin's commodity risk management strategy is effective in mitigating the impact of metal price lag as it converts the metal

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.2 Gains and losses on financial instruments related to trading activities continued

purchase price to the price received on sale of the metal. In order to apply hedge accounting to this programme as envisaged in IAS 39, 'Financial Instruments', the group has historically designated the sale, and not the purchase of the inventory, as the hedged item. As IAS 39 does not allow the components of the hedged item to be hedged individually the group was required to consider the movement in the full invoice price from the time of the forecast sale (at the point the metal is purchased) to the completion of the sale and compare this to the underlying hedging instrument (which only relates to the commodity portion of the sale). Management considered the historic movements in the other components of the invoice price (rolling margins, geographic premiums and transport costs) and found that historically volatility in these other components caused ineffectiveness in individual hedges.

In 2019, Hulamin adopted the hedge accounting provisions of the new financial instruments standard, IFRS 9, which overcomes these limitations in IAS 39. This has resulted in the commodity hedges being effective for hedge accounting purposes, thereby allowing profit and losses to be recognised in the same year as the underlying revenue (Refer to note 10 (b)).

2.4.3 Other gains and losses

	2019 R'000	2018 R'000
Loss on disposal of property, plant and equipment	**(26 455)**	(231)
Gain on disposal of investment in Almin Metal Industries (note 6.2(i))	**2 655**	–
Settlement of share-based payment – Isizinda (note 6.1.(d))	**(65 000)**	–
	(88 800)	(231)

2.4.4 Impairment of non-financial assets

At each reporting date, the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated 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. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the statement of profit or loss.

(a) Impairment assessment – Individual assets

(i) Isizinda Aluminium property, plant and equipment

The decision to restructure the business served as an indicator for impairment (see note 6.1(d)). An impairment test was conducted and it was determined that the carrying amount of land and buildings exceeds the recoverable value of the property. The property was thus impaired to reflect its recoverable amount, which in this case represents the fair value less costs to sell. The recoverable amount was determined to be R68.7 million. The fair value of the property is level 3 in the valuation hierarchy. The fair value of the property was determined with reference to market related rental prices per square metre, accepted vacancy rates and maintenance costs per square metre. An independent valuator was used to determine the fair value less costs to sell.

(ii) Extrusions Olifantsfontein property, plant and equipment

During the course of 2019, Hulamin Extrusions proceeded to restructure its business operations, which included the disposal of its Olifantsfontein operation (refer note 2.4.1(b)(i)). This served as an indicator of impairment. An impairment test was conducted and it was determined that the carrying amount of plant and equipment exceeds its recoverable amount, which represents fair value less costs of disposal. Accordingly, an impairment charge of R6 million has been recognised. The carrying value of the property is lower than its fair value less costs of disposal and no impairment charge has been recognised. The fair value of the property, plant and equipment is level 1 in the valuation hierarchy and was determined with reference to an agreement of sale entered into with a third party buyer for these assets (refer note 6.2(ii)).

(b) Impairment assessment – Cash generating unit

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the 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.

(i) Rolled Products Cash Generating Unit

The key economic and business assumptions used in the value-in-use calculation are consistent with those used in the budget and the five year business plan approved by the board of directors. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. The group forecasts that free cash flows will improve in future periods. Key assumptions include:

		2019	2018
Comparison of key assumptions			
Weighted average cost of capital			
– before tax		**22.4%**	20.6%
– after tax		**16.9%**	15.6%

		In year five		Compound annual growth rate	
		2019	**2018**	**2019**	**2018**
Annual average	(ZAR/USD)	**16.04**	15.06	**2.0%**	2.6%
Sales volume	(tons)	**235 000**	236 000	**2.9%**	0.7%
Rolling margins indexed against 2018	(USD/ton)	**98**	100	**1.8%**	2.0%
Total manufacturing costs indexed against 2018	(USD)	**93**	100	**1.1%**	2.5%
Working capital investment indexed against 2018	(USD)	**120**	100	**5.0%**	(2.7%)

A pre-tax discount rate of 22.4% (post-tax 16.9%) was used in the calculation and this rate has increased from the pre-tax 20.6% (post-tax 15.6%) used in 2018. The increase in the discount rate is due to:

- Increases in the component elements of the discount rate, particularly an increase in the industry Beta, reflecting the heightened level of uncertainty in world markets in general, and in the global aluminium industry in particular.
- The adoption of a 4.25% specific risk premium, which is a significant increase compared to the 3% premium used in 2018. This heightened risk premium has been adopted as the CGU's future cash flows are impacted by increased uncertainty. As a major exporter of aluminium semi-fabricated products operating in South Africa, Hulamin is particularly exposed to a slowdown in global growth and trade actions as well as domestic operating conditions. There is increased uncertainty relating to the impact on Hulamin of increasing protectionism in the US, the stagnation and vulnerability of the local economy and the sustainability of the local availability of primary aluminium.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2021 and with reference to inflation differentials thereafter, with the ZAR:USD rate rising from an annual average of R15.03 in 2020 to R16.04 in 2024.

Although sales volumes are forecast to peak at levels similar to what was forecast in December 2018, the recovery from the lower 2019 volume will reduce cash flows in the next five years. In late 2018, duties levied on imports of aluminium into the USA positively affected Hulamin's sales. However the US distribution channel became over-stocked resulting in lower sales during 2019. During the second half of 2019, the depth of the over-stocking became clear and the predicted re-balancing of demand and supply was extended into 2020.

Rolling margin forecasts include anticipated changes in both market conditions and the product mix. The pressures on sales volume also impact selling prices and the sales mix. Selling prices will be compromised in the next few years while sales volume is defended, particularly in the US common alloy market, where the combined impact of a slowdown in demand and the supply surplus are expected to result in longer term selling prices in the US to settle at levels lower than what was forecast in December 2018.

As a partial counter-measure to the over-stocked distribution channels that Hulamin has employed in the past, Hulamin will service the US market on shorter lead times through increasing the volume of finished goods warehoused in the USA. This will see a greater investment in working capital for the foreseeable future.

The key assumptions in deriving the value in use amount have changed significantly since the reporting of the half year results in accordance with IAS 34, Interim Financial Reporting. When compared with the value-in-use calculation at 30 June 2019, the total forecast sales volume has not changed in the fifth year of the projection. However sales in year one are forecast to be lower than what was assumed at June. The clearing of the above-mentioned over-stocked distribution channels and the re-balancing of demand and supply was expected to be complete during the second half of 2019, but in December 2019 it was clear that 2020 would continue to be affected by these factors. Consequently, the December forecasts of sales volumes and prices are lower than those of June.

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.4 Impairment of non-financial assets continued

The decision to not impair the non-financial assets at 30 June 2019 was based on a pre-tax discount rate that was similar to the December 2018 in both amount and composition. At 30 June 2019, the annual average ZAR:USD exchange rate forecast for year five was R15.45. By December the weaker forecast exchange rates were offset by lower conversion prices, suppressed 2020 sales volume and lower cost savings. The cost savings assumed at June were based on the board-approved turnaround plan to be implemented in the second half of 2019. After negotiation with labour, the actual manpower cost savings were lower than what was planned, partly due to rates of pay and headcount.

The turnaround plan included a decision to increase the holding of finished goods tons. This was a result of a combination of efforts to mitigate the over-stocked distribution channels and the strategy to service the US market on shorter lead times. Cash outflows to build up this higher working capital position have also contributed to a lower value in use amount at December 2019 when compared with that at June.

These combined factors have led to an increased impairment amount recognised at year end.

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

Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R224 million*

Rolling margins: A reduction in average rolling margins of 5,0% for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 259 million*.

Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 212 million.

* *The recognition of additional impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R646 million.*

(ii) Extrusions Cash Generating Unit
The Extrusions cash generating unit continued to experience difficult trading conditions in 2019. Following the completion of the turnaround plan (refer 2.4.1 (b)(i)), performance and cash flows are forecast to improve in the future, but the market uncertainty impacting the achievement of these cash flows remains high and this is reflected in the discount rate. The carrying value of the assets therefore exceeds the recoverable amount by R39 million. The impairment charge was limited to R30 million based on the fair value less costs of disposal of individual assets.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use was estimated using a pre tax discount rate of 23.6% (2018: 21.1%), post tax 17.4% (2018: 17.1%). The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

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

Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R12 million* (2018: R15 million).

Earnings before tax: A 5% decrease in earnings before tax may result in an additional impairment charge, before tax, of up to R10 million* (2018: R11 million).

* *The recognition of additional impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R18 million.*

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

	2019 R'000	2018 R'000
Isizinda Aluminium property, plant and equipment – note (a)(i)	**13 032**	–
Extrusions Olifantsfontein property, plant and equipment – note (a)(ii)	**5 789**	–
Rolled Products cash generating unit – note (b)(i)	**1 253 947**	1 376 319
Extrusions cash generating unit – note (b)(ii)	**30 130**	74 495
Total impairment charge	**1 302 898**	1 450 814
Taxation	**(354 754)**	(385 369)
Net impairment charge	**948 144**	1 065 445

The impairment charges on the cash generating units have been allocated to all assets in the cash generating unit, including right-of-use assets. The impairment charges allocated are limited to individual assets recoverable amount.

2.4.5 Administrative and other expenses

This note provides a breakdown of the items included in administrative and other expenses.

	2019 R'000	2018 R'000
Increase in expected credit loss of debtors	**1 906**	3 764
Termination benefits (note 2.4.1(b))	**114 396**	–
Auditors' remuneration (Internal and external)	**13 087**	5 625
Audit fees	**12 894**	4 501
Fees for other services	**–**	248
Expenses	**193**	876

3. Debt/equity: measures to assess group leverage

3.1 Non-current borrowings

		2019 R'000	2018 R'000
Nedbank loan facility		**54 000**	108 000
Less: Current portion included in current borrowings (note 3.2)		**(54 000)**	(54 000)
		–	54 000
Effective interest rate	(%)	**9,70**	10,50

The Nedbank long-term loan is secured against a mortgage bond of R405 million (2018: R405 million) over land and buildings disclosed in note 5.1 with a carrying amount of R188.0 million.

The fair values of the non-current borrowings approximate their carrying value since the interest payable on these borrowings approximates current market rates. The fair value of the borrowings are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

The loan is repayable in quarterly instalments over five years commencing in March 2016. As R54 million (2018: R54 million) is due within twelve months from reporting date, it has been reclassified to current borrowings (note 3.2).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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

3.2 Current borrowings

		2019 R'000	2018 R'000
Nedbank revolving facilities		**298 083**	632 149
Current portion of term loan (note 3.1)		**54 000**	54 000
Pension fund loan (note 9.4)		**–**	79 634
		352 083	765 783
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**8,96**	8,88
Pension fund loan	(%)	**0,49**	9,06

The Nedbank revolving facilities comprise a gross borrowings of R298 million (2018: 1 276.0 million) which has been offset by bank balances of Rnil million (2018: R644.0 million) in terms of the loan agreements with Nedbank. A new agreement was signed with Nedbank in the current year and under this agreement there is no restriction on credit balances in the receivable account. Therefore no cash will offset debt.

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

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

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

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

	2019	2018
Current ratio	**>1.25**	>1.25
Debt to equity ratio*	**<0.5**	<0.5

** As defined in the contractual agreements.*

The group has complied with the financial covenants of its borrowing facilities during the 2019 and 2018 reporting period.

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

The pension fund loan was fully paid off in the current year. Prior to settlement the pension fund loan was unsecured and had no fixed terms of repayment. The pension fund was able to recall the loan at any stage and as such the loan was historically classified as a current liability.

The fair values of the current borrowings approximate their carrying value based on the short-term nature of these borrowings.

3.3 Lease liabilities

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

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

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

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

	2019 R'000
As at 1 January 2019	**47 299**
Additions	**13 869**
Payment of principal and interest	**(19 622)**
Interest	**4 947**
As at 31 December 2019	**46 493**
Current	**12 088**
Non-current	**34 405**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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

3.4 Net debt reconciliation

This section sets out an analysis of net debt and movements in net debt for the year ended 31 December 2019.

	2019 R'000	2018 R'000
Net debt comprises:		
Cash and cash equivalents	**126 207**	525 981
Non-current borrowings	**–**	(54 000)
Current borrowings	**(352 083)**	(765 783)
Lease liabilities	**(46 493)**	–
Net debt (note 7.4)	**(272 369)**	(293 802)
Cash and cash equivalents	**126 207**	525 981
Gross debt – variable interest rates	**(398 576)**	(819 783)
Net debt	**(272 369)**	(293 802)

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

	Assets	Liabilities from financing activities				
	Cash	Lease liabilities – due within one year	Lease liabilities – due after one year	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 31 December 2017	111 472	–	–	(320 690)	(108 000)	(317 218)
Cash flows	423 225	–	–	(391 093)	–	32 132
Transfer between categories	–	–	–	(54 000)	54 000	–
Foreign exchange adjustments	(8 717)	–	–	–	–	(8 717)
Net debt as at 31 December 2018	525 981	–	–	(765 783)	(54 000)	(293 802)
Recognised on adoption of IFRS 16	–	(12 378)	(34 921)	–	–	(47 299)
Net debt as at 1 January 2019	**525 981**	**(12 378)**	**(34 921)**	**(765 783)**	**(54 000)**	**(341 101)**
Cash flows	**(408 636)**	**(3 816)**	**(10 860)**	**467 700**	**–**	**44 389**
Acquisition – leases	**–**	**4 106**	**11 376**	**–**	**–**	**15 482**
Transfer between categories	**–**	**–**	**–**	**(54 000)**	**54 000**	**–**
Foreign exchange adjustments	**8 862**	**–**	**–**	**–**	**–**	**8 862**
Net debt as at 31 December 2019	**126 207**	**(12 088)**	**(34 405)**	**(352 083)**	**–**	**(272 369)**

3.5 Stated capital, consolidation shares and treasury shares

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

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

(a) Authorised

800 000 000 ordinary shares of no par value (2018: 800 000 000 ordinary shares)
31 477 333 A ordinary shares of no par value (2018: 31 477 333 A ordinary shares)
36 072 000 B ordinary shares of no par value (2018: 36 072 000 B ordinary shares)
The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

(b) Issued

	2019 R'000	2018 R'000
Ordinary shares		
Closing balance: 319 596 836 shares of no par value (fully paid up) (2018: 319 596 836 shares (fully paid up)	**1 817 580**	1 817 580
A ordinary shares		
Closing balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up) (2018: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 656**	59 656
B ordinary shares		
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2018: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))	**361**	361
Total issued stated capital	**1 877 597**	1 877 597
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital	**1 817 580**	1 817 580

(c) A and B ordinary shares

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

A1 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

(d) Unissued

(i) Under option to employees:

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

(ii) Under the control of the directors:

At 31 December 2019, 6 801 529 unissued ordinary shares (2018: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes. Shares under the control of the directors are approved annually at the Annual General Meeting.

(e) Treasury shares

During the year a wholly-owned group company purchased 8 183 539 shares on-market in order to hold treasury shares to settle share scheme obligations. The buy-back was approved by shareholders at the annual general meeting held on 15 May 2019. The shares were acquired at an average price of 267 cents per share, with prices ranging from 470 to 192 cents per share. The total cost of R22 000 000 including after-tax transaction costs, was deducted from shareholder equity. The total reduction in paid-up capital was R22 000 000.

3.6 Dividends per share

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

	2019 R'000	2018 R'000
Dividends per share declared		
Final dividend: Nil cents on 319 596 836 ordinary shares (2018: 18 cents on 319 596 836 ordinary shares)	–	57 527
Final dividend: Nil cents on 4 721 600 A1 ordinary shares (2018: 18 cents on 4 721 600 A1 ordinary shares)	–	850
Total	–	58 377

No dividend was declared in respect of the 2019 financial year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

4. Working capital: measures used to assess liquidity

4.1 Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost and includes cash on hand and deposits held with local banks with original maturities of three months or less.

		2019 R'000	2018 R'000
Bank balances		**110 182**	17 372
Overnight call deposits		**16 000**	508 600
Cash on hand		**25**	9
		126 207	525 981
Effective interest rate on credit balances	(%)	**1.38**	2.38

Bank balances with a carrying value of R30.9 million (2018: 508.6 million) have been pledged as security for borrowing facilities (note 3.2). For further information on the credit quality of cash refer to the Financial Risk Management section (note 7).

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

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

	2019 R'000	2018 R'000
Euro	**–**	156
Pound Sterling	**50**	27
US Dollar	**672**	111

4.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs represents the costs incurred in bringing each product to its 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 cost is determined on the following basis:

Consumable stores: Weighted average.

Raw materials, work in progress and finished goods: First-in-first-out.

The inventory balance consists of:

	2019 R'000	2018 R'000
Raw materials	**352 349**	475 476
Work-in-progress	**520 040**	622 797
Finished goods	**1 023 437**	880 613
Consumable stores	**280 582**	283 661
	2 176 408	2 262 547

Inventories with a carrying value of R1 998 million (2018: R2 015 million*) are encumbered as security for borrowing facilities (note 3.2). Inventories recognised as an expense during the year ended 31 December 2019 amounted to R10 000 million (2018: R10 665 million). Certain items of inventory were written down to net realisable value. These were recognised as an expense and included in cost of sale of goods in the statement of profit or loss as follows:

	2019 R'000	2018 R'000
Inventory net realisable value adjustment	**18 649**	(9 825)

** Encumbered assets for 2018 has been restated for accuracy.*

4.3 Trade and other receivables

(a) Accounting policies and significant judgements

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

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

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

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

(b) Financial and non-financial assets

	2019 R'000	2018 R'000
Financial assets	**702 160**	1 355 256
Trade receivables – net of settlement discounts	**695 727**	1 343 727
Less: Loss allowance	**(7 001)**	(5 271)
Net Trade receivables	**688 726**	1 338 456
Sundry receivables	**13 434**	16 800
Non-financial assets	**102 255**	175 023
Prepayments	**40 786**	40 613
Value-added taxation receivable	**61 469**	134 410
	804 415	1 530 279

Included in trade receivables is an amount of R16.6 million (2018: R12.3 million) relating to claims from customers on current year sales for which it is probable that credit notes will be issued in the following financial year.

Included in sundry receivables is an amount of R8.7 million relating to the sale of Almin Metal Industries Limited (note 6.2 (i)).

(c) Impairment of trade receivables

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

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

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

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2019 or 1 January 2019 respectively and the corresponding historical credit losses experienced within this period. As debtors days are on average 30 days for local debtors and 45 days for export debtors a 24-month period reflects sufficient data points over the life of the asset to determine historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. Current forward looking information considered by the Hulamin Credit Risk Committee includes regional growth and political stability. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted.

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

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

On that basis, the loss allowance as at 31 December 2019 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors 31 December 2019								
Expected loss rate	(%)	**–**	**0.3**	**1.2**	**1.9**	**1.8**	**–**	
Gross carrying amount	(R'000)	**378 502**	**113 161**	**13 213**	**7 242**	**3 994**	**122**	**516 233**
Loss allowance	(R'000)	**20**	**289**	**164**	**137**	**73**	**–**	**683**
Local debtors 31 December 2019								
Expected loss rate	(%)	**–**	**0.3**	**0.6**	**7.1**	**37.9**	**65.1**	
Gross carrying amount	(R'000)	**175 506**	**46 164**	**29 903**	**2 367**	**3 769**	**6 715**	**264 424**
Loss allowance	(R'000)	**17**	**154**	**174**	**169**	**1 429**	**4 375**	**6 318**

The loss allowance as at 31 December 2018 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export Debtors: 31 December 2018								
Expected loss rate	(%)	–	0.2	0.6	0.9	2.8	4.6	–
Gross carrying amount	(R'000)	578 472	139 782	28 237	18 646	17 788	52 692	835 617
Loss allowance	(R'000)	34	341	170	171	505	2 429	3 650
Local Debtors: 31 December 2018								
Expected loss rate	(%)	–	–	0.5	1.8	3.7	53.9%	–
Gross carrying amount	(R'000)	219 723	283 764	10 381	4 845	8 811	2 049	529 573
Loss allowance	(R'000)	5	51	53	87	322	1 104	1 621

The closing loss allowance for trade receivables as at 31 December 2019 reconciles to the opening loss allowance as follows:

	2019 R'000	2018 R'000
Opening loss allowance as at 31 December 2018	**5 271**	1 303
Increase in loss allowance recognised in profit or loss during the year	**1 906**	4 648
Receivables written off during the year as uncollectible	**(176)**	(671)
Unused amounts reversed	**–**	(9)
Closing loss allowance at 31 December 2019	**7 001**	5 271

(d) Credit risk of trade receivables

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

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

	2019 R'000	2018 R'000
Receivables that are not overdue and remain within credit limits	**502 678**	872 528
Receivables which have exceeded credit terms and are:	**199 482**	482 728
Overdue by less than 60 days	**194 851**	469 801
Overdue by more than 60 days	**4 631**	12 927
Total financial assets, net of provision for credit losses	**702 160**	1 355 256

At 31 December 2019, the group had 22 debtors that owed it more than R10 million each and accounted for approximately 68% of all receivables outstanding (the prior year included 13 debtors that owed it more than R10 million each and accounted for approximately 65% of all receivables outstanding). In the prior year there were three debtors which owed the group more than R100 million each and accounted for approximately 49% of receivables outstanding. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December 2019, 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:

		2019 R'000	2018 R'000
Local trade receivables		**155 659**	241 563
– Balance subject to credit insurance	(%)	**92**	100
Export trade receivables		**333 585**	614 164
– Balance subject to credit insurance	(%)	**92**	99
		489 244	855 727

Trade receivables covered by credit insurance are subject to a 10% excess local and export debtors.

Trade and other receivables with a carrying value of R757.2 million (2018: R1 478 million) have been ceded as security for borrowing facilities (note 3.2).

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

	2019 Foreign amount '000	2019 Rand amount R'000	2018 Rand amount R'000
Euro	**–**	**–**	3 031
US Dollar	**15 046**	**219 069**	104 007
		219 069	107 038

4.4 Trade and other payables

Trade payables are unsecured and are usually paid within 60 days of recognition. Trade and other payables comprises of:

	2019 R'000	2018 R'000
Trade payables	**769 568**	1072 214
Bonus accrual	**9 363**	53 059
Termination benefits provision**	**9 209**	–
Leave pay	**65 438**	75 534
Current leave obligations expected to be settled after 12 months*	**16 704**	18 059
Current leave obligations expected to be settled within 12 months*	**48 734**	57 475
Outstanding Isizinda settlement value (note 6.1(d))	**15 000**	–
Sundry accruals and other payables	**136 543**	179 402
	1 005 121	1 380 209

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

** *Termination benefit provisions are recognised only when the group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features. The business turnaround plan for the Hulamin Rolled products and Hulamin Extrusions divisions included a strategy to reduce costs which has resulted in the loss of 250 jobs. An agreement was reached with the local union representatives in November and October 2019 respectively, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. The total cost of restructuring raised in the current year of R114 million has seen R105 million settled during the current financial year. The total estimated staff restructuring costs still to be paid is R9 million and is expected to be fully settled during the next 12 months.*

4. Working capital: measures used to assess liquidity continued

4.4 Trade and other payables continued

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

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

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

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

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

5.1 Property, plant and equipment

(a) Accounting policies and significant judgements

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

(i) Useful lives and residual values

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

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

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

(ii) Derecognition

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

(iii) Borrowing costs

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

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

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The amount of borrowing costs capitalised during the year ended 31 December 2019 was R6.2 million (2018: R6.8 million) The weighted average interest rate used for borrowing costs capitalised is 9.23% (2018: 9.31%).

(b) Property, plant and equipment movement schedule

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
2019					
At cost					
Balance at beginning of year	**8 037 015**	**1 114 589**	**6 567 947**	**217 476**	**137 003**
Additions	**305 095**	**4 806**	**30 725**	**3 597**	**265 967**
Borrowing costs capitalised	**6 245**	**–**	**–**	**–**	**6 245**
Capitalised from capital works under construction	**–**	**1 364**	**105 485**	**12 897**	**(119 746)**
Disposals	**(152 192)**	**–**	**(152 192)**	**–**	**–**
Transfer to Assets-held-for sale (note 6.2)	**(77 529)**	**(16 387)**	**(60 011)**	**–**	**(1 131)**
Balance at end of year	**8 118 634**	**1 104 372**	**6 491 954**	**233 970**	**288 338**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**6 135 221**	**571 134**	**5 343 230**	**153 045**	**67 812**
Charge for the year (note 2.4.1)	**107 625**	**18 850**	**76 930**	**11 845**	
Capitalised from capital works under construction	**–**	**329**	**17 784**	**5 422**	**(23 535)**
Impairment of property, plant and equipment (note 2.4.4)	**1 251 603**	**300 165**	**782 667**	**29 514**	**139 257**
Disposals	**(126 105)**	**–**	**(126 105)**	**–**	**–**
Transfer to Assets-held-for sale (note 6.2)	**(63 280)**	**(8 638)**	**(54 642)**	**–**	**–**
Balance at end of year	**7 305 064**	**881 840**	**6 039 864**	**199 826**	**183 534**
Carrying value at 31 December 2019	**813 570**	**222 532**	**452 090**	**34 144**	**104 804**
2018					
At cost					
Balance at beginning of year	7 841 222	1 103 600	6 408 490	198 962	130 170
Additions	210 538	3 433	34 159	3 817	169 129
Borrowing costs capitalised	6 790	–	–	–	6 790
Capitalised from capital works under construction	–	7 556	135 735	25 795	(169 086)
Transfers	(138)	–	–	(138)	–
Disposals	(21 397)	–	(10 437)	(10 960)	–
Balance at end of year	8 037 015	1 114 589	6 567 947	217 476	137 003
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 516 629	553 510	3 859 029	104 090	–
Charge for the year (note 2.4.1)	222 271	17 624	191 036	13 611	–
Impairment of property, plant and equipment (note 2.4.4)	1 417 621	–	1 303 367	46 442	67 812
Transfers	(138)	–		(138)	–
Disposals	(21 162)	–	(10 202)	(10 960)	–
Balance at end of year	6 135 221	571 134	5 343 230	153 045	67 812
Carrying value at 31 December 2018	1 901 794	543 455	1 224 717	64 431	69 191

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

Moveable items with a carrying value of R17.2 million (2018: R41.1 million) and land and buildings, largely production buildings located at the Campsdrift site, with a carrying value of R188.0 million (2018: 192.9 million) are encumbered as security for borrowing facilities (note 3.2).

The total depreciation charge is included in cost of sales, R78.7 million (2018: R200.2 million), and inventory, R28.9 million (2018: R22.1 million).

Included in property, plant and equipment are assets with a carrying amount of R21.8 million (2018: R32.5 million) which are currently mothballed and not classified as held-for-sale.

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

5.2 Right-of-use assets

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

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

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

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

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

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

	Total R'000	Land and buildings R'000	Vehicles, equipment and other R'000
As at 1 January 2019	**47 299**	**7 617**	**39 682**
Additions	**13 869**	**–**	**13 869**
Depreciation expense (note 2.4.1)	**(16 483)**	**(1 345)**	**(15 138)**
Impairment (note 2.4.4)	**(27 577)**	**(4 027)**	**(23 550)**
As at 31 December 2019	**17 108**	**2 245**	**14 863**

From 2019 leased assets are presented as a separate line item in the balance sheet. Refer to note 10(a) for details about the implementation of IFRS 16, 'Leases'.

5.3 Intangible assets

(a) Accounting policies and significant judgements

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

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

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

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

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

(b) Intangible assets movement schedule

	2019 R'000	2018 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**93 103**	79 962
Additions	**4 118**	21 545
Written-off	**(19 951)**	(8 404)
Balance at end of year	**77 270**	93 103
Accumulated amortisation		
Balance at beginning of year	**70 096**	59 580
Charge for the year (note 2.4.1)	**6 910**	7 067
Written-off	**(19 582)**	(8 404)
Impairment of intangible assets (note 2.4.4)	**13 623**	11 853
Balance at end of year	**71 047**	70 096
Carrying value at end of year	**6 223**	23 007
Software costs – purchased		
Balance at beginning of year	**104 228**	100 566
Additions	**2 104**	9 661
Written-off	**–**	(5 999)
Balance at end of year	**106 332**	104 228
Accumulated amortisation		
Balance at beginning of year	**84 099**	56 804
Charge for the year (note 2.4.1)	**5 206**	11 936
Written-off	**–**	(5 980)
Impairment of intangible assets (note 2.4.4)	**10 093**	21 339
Balance at end of year	**99 398**	84 099
Carrying value at end of year	**6 934**	20 129
Total software costs		
Cost	**183 602**	197 331
Accumulated amortisation	**(170 445)**	(154 195)
Carrying value at end of year	**13 157**	43 136

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

The weighted average interest rate used for borrowing costs capitalised is 9.23% (2018: 9.31%).

Capital work in progress ("CWIP") included within the total software cost above is R14.7 million (2018: R9.5 million).

5.4 Capital expenditure commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2019 R'000	2018 R'000
Property, plant and equipment	**84 824**	174 882

Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.

6. Investments: investments in subsidiaries and associates

6.1 Details of investments in subsidiaries and associates

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. Control exists where the group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the group controls an investee if, and only if, the group has:

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

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

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

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

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

(b) Investment in associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial position, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. An impairment loss on an associate should be recognised in the share of profit of an associate in the statement of profit or loss. Any reversal of that impairment loss is recognised in accordance with IAS 36: Impairment of Assets to the extent that the recoverable amount of the investment subsequently increases.

Almin Metal Industries Limited ("Almin"), an associate company, was fully impaired in prior years.

During the 2017 financial year, the previously recognised impairment of R6.5 million was reversed after taking into account an offer to purchase the investment. Refer to note 6.2.

(c) The consolidated financial statements of the group includes

	Country of incorporation	Percentage equity interest 2019	Percentage equity interest 2018	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Isizinda Aluminium (Pty) Ltd*# (note 6.1(d))	South Africa	**38,7**	38,7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	**–**	49	Manufacture of aluminium profiles

* Subsidiaries of Hulamin Operations (Pty) Ltd.
# *Beneficial interest of 100%.*
** *Investment held by Hulamin Extrusions (Pty) Ltd.*

All the investments are unlisted.

Structured entities
The following structured entities have been consolidated:

- Imbewu SPV 14 (Pty) Ltd (note 8.1(d)(i))
- The 2015 Hulamin Employee Share Ownership Trust (note 8.1(d)(ii))
- The Isizinda Employee Share Incentive Scheme Trust (note 8.1(d)(iii))

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

(d) Isizinda Aluminium (Pty) Ltd ("Isizinda")

Capitalisation of Isizinda and acquisition of Bayside casthouse
On 1 July 2015, Isizinda acquired the Bayside casthouse business for a purchase consideration of R100.2 million, funded largely by a loan from Hulamin Operations (Pty) Ltd ("Hulamin Operations") to Isizinda. At the time, Bingelela Capital (Pty) Ltd ("Bingelela") had a 60% interest and Hulamin Operations had a 40% interest in Isizinda. On 2 February 2016, the Isizinda Employee Share Incentive Scheme Trust purchased a 2.5% interest in Isizinda, in equal portions from Bingelela and Hulamin, resulting in Bingelela's interest reducing to 58.7% and Hulamin Operation's interest reducing to 38.7% (refer note 8.1(d)(iii)).

Isizinda supplies rolling slab to Hulamin Operations and, as such, all revenue earned by Isizinda is eliminated on consolidation.
The investment of Hulamin Operations in Isizinda (shares and loan) are also eliminated on consolidation.

Management have assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10 (refer note 1.6 (v)) and have accordingly accounted for the investment in Isizinda as a subsidiary (refer note 6.1 (c)).

The interest held by Bingelela is accounted for as a grant of an equity option with a fair value at the grant date of R27.2 million (refer note 8.1(d)(iii)).

6. Investments: investments in subsidiaries and associates continued

6.1 Details of investments in subsidiaries and associates continued

(d) Isizinda Aluminium (Pty) Ltd ("Isizinda") continued

Restructure of Isizinda

The shareholders of Isizinda, Bingelela and Hulamin Operations, agreed on a restructure of Isizinda during the 2019 financial year whereby, *inter alia:*

(i) Hulamin acquired the rolling slab casting business and assets from Isizinda, effective 1 January 2020, and entered into a lease agreement with Isizinda to continue operating this casting facility. All funds derived by Isizinda from the proceeds of the rolling slab casting business and assets shall be applied in the reduction of Isizinda's indebtedness to Hulamin.

Upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10, have changed materially. Accordingly, as of 1 January 2020, management has assessed that Hulamin will no longer control Isizinda in terms of the requirements of IFRS 10 (refer note 1.9(i)).

(ii) The shareholders of Isizinda have agreed to pursue the sale of the property, subject to Isizinda's continued right of occupation in respect of the property. The subdivision of this property from a larger site owned by South32 was concluded on 10 January 2020. The shareholders of Isizinda have also agreed to pursue the sale of the remaining plant and equipment.

These decisions served as an indicator for impairment. An impairment test was conducted and it was determined that the carrying amount of land and buildings exceeds the recoverable value of the property. Accordingly, an impairment charge of R13 million has been recognised (refer note 2.4.4 (a)).

Although these assets will be recovered principally through sale rather than through continuing use, based on the circumstances at the balance-sheet date, the sale of these assets is not considered highly probable in terms of the requirements of IFRS 5, and are therefore not classified as held for sale.

(iii) Hulamin has lent and advanced the sum of R50 million to Isizinda. Isizinda has used these funds to declare and pay a dividend of R35 million to Bingelela. The balance of R15 million has been paid into an escrow account and will be declared as a dividend and paid to Bingelela upon conclusion of a new metal agreement between Hulamin and the Hillside operation of South32. This is considered probable. A further dividend of R15 million is to be paid to Bingelela once the property owned by Isizinda, referred to above, is sold. The declaration and payment of this dividend is also subject to the conclusion of a new metal agreement between Hulamin and the Hillside operation of South32.

This arrangement constitutes a settlement of the equity-settled share-based payment. The fair value of Bingelela's interest in Isizinda was determined to be Rnil immediately before settlement.

Details of the settlement of the share-based payment are set below:

	2019 R'000	2018 R'000
Original fair value of equity-settled share-based payment at grant date	**27 200**	27 200
Fair value of equity-settled share-based payment at settlement date	**–**	–
Total settlement value	**(65 000)**	–
Repurchase of equity option recognised through profit and loss	**(65 000)**	–
Funds advanced to Isizinda – dividends paid to Bingelela	**(35 000)**	–
Funds advanced to Isizinda – amount in escrow, but high probability of condition being met	**(15 000)**	–
Total settlement in cash	**(50 000)**	–
Outstanding settlement value, subject to sale of the Isizinda property	**(15 000)**	–
Total settlement value	**(65 000)**	–

6.2 Non-current assets held-for-sale

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

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

(i) Almin Metal Industries Limited ("Almin")

During the 2018 financial year, the group received an offer from a third party to acquire the 49% interest which it holds in Almin. The sale was approved by the Board and was expected to be completed within 12 months from year-end. All conditions of sale have since been satisfied and the associate has been disposed of in the current financial year. The difference between the carrying amount of the associate of R6.5 million and the proceeds from disposal amounting to R8.7 million (after the payment of an amount of R0.4 million in capital gains tax) has been recognised in profit or loss as a gain on disposal (note 2.4.3).

(ii) Extrusions Olifantsfontein plant

In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which included the intended disposal of the property, plant and equipment of its Olifantsfontein operation (refer to note 2.4.1(b) for further details).

It was further determined that the assets relating to the Olifantsfontein plant were going to be recovered principally through sale rather than through use. The sale of these assets is highly probable. Hulamin Extrusions has entered into an agreement of sale of these assets with a third party. The sale of these assets was expected to realise within one year from 30 June 2019 (classification date). At classification date, the carrying amount was lower than its fair value less costs to sell, thus no impairment loss was recognised. Subsequently the fair value less costs to sell was determined with reference to a binding sale agreement, which indicated that the carrying amount exceeded the fair value less costs to sell by R6 million and consequently an impairment charge of that amount was booked in profit or loss (refer note 2.4.4 (a)(ii).

	2019 R'000	2018 R'000
Investment in associate – Almin	**–**	6 529
Property, plant and equipment – Extrusions Olifantsfontein (note 5.1(b))	**14 250**	–
	14 250	6 529

7. Financial risk management: measures to mitigate risk

Financial risk factors

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

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

7.1 Market risk

(a) Foreign exchange risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. The group's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities. The values of aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge 50% of the currency exposure on aluminium, while the value added portion of export transactions are hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks. The details of the hedge accounting requirements is laid out below.

For every 5% weakening or strengthening of the South African Rand against the group's foreign currency exposure at 31 December, the after tax profit for the year would have been higher or lower by R720 405 (2018: R21 580 655) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of foreign currency denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains or losses in currency derivatives. For currency cash flow hedges the above change in currency exchange rates would have resulted in equity being lower or higher by R18 360 107 (2018: R31 618 484).

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

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and the group is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the approach is to hedge 50% of the risk using futures contracts. At 31 December 2019, 50% (2018: 50%) of the risk was hedged.

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

The hedge ineffectiveness can arise from:

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

Due to the adoption of hedge accounting for all commodity hedges, for every 5% weakening or strengthening of the price of aluminium at 31 December, after tax profit for the year would have been lower or higher by Rnil (2018: R31 609 402) based on the group's exposure to firm customer commitments at the balance sheet date. The above change in aluminium prices would have had R23 177 081 effect on equity (2018: Rnil).

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and the group has not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after-tax profit (2018: nil) and no effect on equity (2018: 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 R1.4 million (2018: R2.7 million).

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

(d) Hedge accounting

(i) Classification of derivatives

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

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

(ii) Derivatives and hedging activities

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

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

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

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

In the comparative financial information hedge accounting was discontinued. Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

On the implementation of the hedging component of IFRS 9, 'Financial Instruments' during the current year, When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

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

Effective 1 January 2019, the group adopted the hedge accounting provisions of IFRS 9, 'Financial Instruments'. Please refer to note 10 (b) for a summary of the impacts of the adoption.

(iii) Impact of hedging on equity

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

	Spot component of currency forwards R'000	Spot component of LME futures R'000	Intrinsic value of options R'000	Cost of hedging R'000	Total hedge reserve R'000
Opening balance 1 January 2018	39 999	–	–	–	39 999
Add: Change in fair value of hedging instrument recognised in OCI	(150 053)	–	–	–	(150 053)
Less: Reclassified to profit or loss – on hedge maturity	85 776	–	–	–	85 776
Less: Deferred tax	17 998	–	–	–	17 998
Closing balance 31 December 2018	(6 280)	–	–	–	(6 280)
Add: Change in fair value of hedging instrument recognised in OCI	**7 495**	**39 326**	**10 218**	**–**	**57 039**
Add: Costs of hedging deferred and recognised in OCI	**–**	**–**	**–**	**23 801**	**23 801**
Less: Reclassified to profit or loss	**21 585**	**(48 901)**	**–**	**(27 434)**	**(54 750)**
Less: Deferred tax	**(8 142)**	**2 681**	**(2 861)**	**1 017**	**(7 305)**
Closing balance 31 December 2019	**14 658**	**(6 894)**	**7 357**	**(2 616)**	**12 505**

** See note 10(b) for details on hedge accounting LME futures under IFRS 9 in 2019 as well as revisions to the treatment of forward points.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(iv) Amount recognised in profit or (loss)

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

	2019 R'000	2018 R'000
Net gains on forwards for LME futures not qualifying as hedges included in gains and losses on financial instruments relating to trading activities	**(27 434)**	–
Hedge ineffectiveness of foreign currency forwards included in gains and losses on financial instruments relating to trading activities	**3 887**	–
Cash flow hedges included in revenue	**(31 203)**	85 776
	(54 750)	85 776

(v) Hedge ineffectiveness

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

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

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

	2019 R'000	2018 R'000
A summary of the group's financial instruments used to mitigate foreign exchange and commodity price risk is shown below		
Foreign currency management – probable forecast sales	**41 551**	(10 555)
Foreign currency management – firm commitments, trade debtors, creditors and import orders	**16 727**	(6 628)
Commodity price management	**(13 643)**	54 453
	44 635	37 270
Grouped as:		
Financial assets	**88 661**	71 281
Financial liabilities	**(44 026)**	(34 011)
	44 635	37 270

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 2019 is R58.3 million (2018: R54.5 million).

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

(e) Foreign currency management – probable forecast sales

The following forward foreign exchange contracts (FECs) on hand at period end were designated as hedging instruments in terms of hedge accounting.

	2019			2018		
	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	**13 125**	**189 697**	**(5 594)**	18 351	263 401	2 066
		189 697	**(5 594)**		263 401	2 066
Forward sales						
US Dollar	**(48 733)**	**(732 579)**	**47 145**	(78 679)	(1 131 137)	(12 621)
		(732 579)	**47 145**		(1 131 137)	(12 621)
Net total		**(542 883)**	**41 551**		(867 736)	(10 555)
Maturing in*:						
2019		**–**	**–**		(867 736)	(10 555)
2020		**(542 883)**	**41 551**		–	–
		(542 883)	**41 551**		(867 736)	(10 555)
Cash flow hedges		**(542 883)**	**41 551**		(867 736)	(10 555)
Grouped as:						
Financial assets			**47 204**			2 073
Financial liabilities			**(5 653)**			(12 628)
			41 551			(10 555)

Cash flow hedges

The group enters into FECs to hedge US Dollar exposure of probable forecast sales. These FECs are hedge accounted and are designated as cash flow hedges, accounted for in accordance with the accounting policy detailed in this note. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the change in the fair value of the forecast sales transaction attributable to movements in exchange rates to the change in the fair value of the FECs.

7. Financial risk management: measures to mitigate risk continued

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

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

	2019			2018		
	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	**10 522**	**167 810**	**(1 434)**	13 374	225 402	(2 113)
Pound Sterling	**531**	**10 104**	**(245)**	739	13 887	(215)
US Dollar	**41 810**	**604 879**	**(16 474)**	30 691	445 002	1 108
		782 793	**(18 153)**		684 291	(1 220)
Forward sales						
Euro	**(14 302)**	**(230 187)**	**4 085**	(19 705)	(321 452)	(6 822)
Pound Sterling	**(287)**	**(5 562)**	**245**	(1 043)	(19 013)	(260)
US Dollar	**(49 305)**	**(712 053)**	**19 897**	(45 577)	(664 870)	1 674
		(947 802)	**24 227**		(1 005 335)	(5 408)
Currency options						
US Dollar	**(10 000)**	**(151 300)**	**10 653**		–	–
		(151 300)	**10 653**		–	–
Net total		**(316 309)**	**16 727**		(321 045)	(6 628)
Maturing in:*						
2019					(321 045)	(6 628)
2020		**(316 309)**	**16 727**		–	–
		(316 309)	**16 727**		(321 045)	(6 628)
Grouped as:						
Financial assets			**35 263**			10 691
Financial liabilities			**(18 536)**			(17 319)
			16 727			(6 628)

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

(g) Commodity price management

The following futures contracts cover commodity price risk on future sales. The requirement for hedge accounting were met in 2019 but were not met in 2018:

	2019 Tons	2019 Contracted value R'000	2019 Fair value asset/(liability) R'000	2018 Tons	2018 Contracted value R'000	2018 Fair value asset/(liability) R'000
Net aluminium futures purchases/(sales) maturing in*:						
2019				(21 325)	644 462	54 453
2020	**(18 575)**	**32 389**	**(13 643)**			
	(18 575)	**32 389**	**(13 643)**	(21 325)	644 462	54 453
Grouped as:						
Financial assets			**6 194**		58 517	
Financial liabilities			**(19 837)**			(4 064)
			(13 643)		54 453	

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures were hedge accounted for the period ended 2019 but were not hedge accounted for the period ended 2018.

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

7.2 Credit risk

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

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

7.3 Liquidity risk

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

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

	Note	2019 R'000	2018 R'000
Revolving working capital facility		**1 000 000**	1 300 000
General short term facility		**500 000**	350 000
Pension fund		**–**	79 635
Term loan		**54 000**	54 000
Current facilities		**1 554 000**	1 783 635
Non-current facilities		**–**	54 000
Total borrowing facilities		**1554 000**	1 837 635
Less: indirect facilities allocated to letters of credit		**(300 000)**	–
		1 254 000	1 837 635
Utilised by:			
Non-current borrowings	3.1	**–**	(54 000)
Current borrowings	3.2	**(352 083)**	(765 783)
Cash and cash equivalents	4.1	**126 207**	525 981
Committed undrawn direct facilities and cash		**1 028 124**	1 543 833

7. Financial risk management: measures to mitigate risk continued

7.3 Liquidity risk continued

In the prior period end, non-current facilities comprise a term loan of R108 million used to fund the upgrade of the aluminium recycling plant in 2015. The loan facility is repayable quarterly in arrears starting on 31 March 2016 and has a remaining one year term, and has thus been classified as a current facility.

In addition to the term loan, Hulamin borrowing facilities include a general short-term facility of R500 million (2018: R350 million), of which R300 million has been allocated to a letter of credit facility and revolving working capital facilities of R1 000 million (2018: R1 300 million). The pension fund loan was repaid in full in the current year and thus has a Rnil balance (2018: R79.6 million).

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

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

	Less than one year R'000	One to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
2018					
Non-current borrowings	–	59 670	–	–	59 670
Current borrowings	833 938	–	–	–	833 938
Trade and other payables (excluding employee benefit payables)	1 216 445	–	–	–	1 216 445
Derivative financial liabilities	34 011	–	–	–	34 011
	2 084 394	59 670	–	–	2 144 064
2019					
Non-current borrowings	**–**	**–**	**–**	**–**	**–**
Current borrowings*	**383 419**				**383 419**
Trade and other payables (excluding employee benefit payables)	**874 015**	**–**	**–**	**–**	**874 015**
Lease liabilities	**13 176**	**19 272**	**11 563**	**6 666**	**50 677**
Derivative financial liabilities	**44 026**	**–**	**–**	**–**	**44 026**
	1 314 636	**19 272**	**11 563**	**6 666**	**1 352 137**

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

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 024 million (2018: R1 395 million) which are payable within a period of three months, including trade payables in the amount of R770 million (2018: 1 072 million). Trade receivables amounting to R688 million (2018: R1 338 million) are recoverable within a period of three months.

7.4 Capital risk management

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

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

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

	Notes	2019 R'000	2018 R'000
Non-current borrowings	3.1	**–**	54 000
Current borrowings	3.2	**352 083**	765 783
Lease liabilities (current and non-current)		**46 493**	–
Total borrowings		**398 576**	819 783
Less: Cash and cash equivalents	4.1	**(126 207)**	(525 981)
Net debt		**272 369**	293 802
Total equity		**2 570 308**	3 802 621
Total capital		**2 842 677**	4 096 423
Gearing ratio percentage (net debt over total capital)		**9,6**	7,2

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

The gearing ratio excluding lease liabilities is 8.1% and increases to 9.6% at 31 December 2019 following the inclusion of IFRS 16 Leases. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

8. Benefits and remuneration: our investment in our people

8.1 Share-based payments

(a) Employee schemes

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

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

(b) BEE transactions

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

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

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

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

8.1 Share-based payments continued

(c) Information relating to employee share scheme grants

(i) Hulamin Limited Share Appreciation Right Scheme 2007

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

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

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at December 2018	Rights exercised in 2019	Rights forfeited/ lapsed in 2019	Number of rights at December 2019	Rights time constrained
R3.60	R0.81	22 October 2012	116 730	–	**116 730**	–	–
R4.56	R1.35	25 February 2013*	532 997	–	**532 997**	–	–
R6.90	R2.73	24 April 2014	2 505 966	–	–	**2 505 966**	–
R6.50	R2.59	26 April 2017	7 333 187	–	–	**7 333 187**	**7 333 187**
			10 488 880	–	**649 727**	**9 839 153**	**7 333 187**

** On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012.The vesting period of the award was 32 months and the awards vested on 22 October 2015. Participants had an additional four-years within which to exercise their rewards.*

The volume-weighted average share price during the year for Hulamin shares was R2.86.

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

		2017	2014	2013	2012
Share price at grant date	(R)	6.50	6.90	4.56	3.60
Risk-free interest rate	(%)	7,74	8,17	6,44	6,38
Expected volatility	(%)	42,09	42,22	42,70	40,33
Expected dividends	(%)	0,55	0,50	4,00	9,85
Expected remaining life	(months)	52	16	–	–
Contractual life	(months)	84	84	84	84

Vesting conditions:

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

(ii) Hulamin Limited Long Term Incentive Scheme 2007 (without performance conditions)

Under the Long Term Incentive Plan, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2018	Conditional awards exercised in 2019	Conditional awards forfeited/ lapsed in 2019	Number of conditional awards at December 2019	Conditional time constrained
Nil	R5.67	1 May 2016	145 370	–	**145 370**	–	–
Nil	R5.81	1 June 2016	87 867	**87 867**	–	–	–
Nil	R6.44	15 May 2017	78 577	–	–	**78 577**	**78 577**
			311 814	**87 867**	**145 370**	**78 577**	**78 577**

The volume-weighted average share price during the year for Hulamin shares was R2.86.

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

		2017	2016	
Share price at grant date	(R)	6,55	5,75 (May)	5,89 (June)
Risk-free interest rate	(%)	7,12	7,87 (May)	8,15 (June)
Expected volatility	(%)	42,09	40,42 (May)	40,22 (June)
Expected dividends	(%)	0,55	0,49 (May)	0,48 (June)
Expected remaining life	(months)	4,5		–
Contractual life	(months)	36		36

Vesting conditions:

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

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

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2018	Conditional awards granted in 2019	Conditional awards exercised in 2019	Conditional awards forfeited/ lapsed in 2019	Number of conditional awards at December 2019	Conditional time constrained
Nil	R3,93	26 July 2018	1 852 693	–	–	249 146	1 603 547	1 603 547
Nil	R3,70	15 May 2019	–	1 602 082	–	–	1 602 082	1 602 082
			1 852 693	1 602 082	–	249 146	3 205 629	3 205 629

The volume-weighted average share price during the year for Hulamin shares was R2.86.

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

		2018	2019
Share price at grant date	(R)	4,34	4,11
Risk-free interest rate	(%)	7,34	7,08
Expected volatility	(%)	N/A	N/A
Expected dividends	(%)	3,27	3,49
Expected remaining life	(months)	19	28
Contractual life	(months)	36	36

Vesting conditions:

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

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

8.1 Share-based payments continued

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

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2018	Conditional awards granted in 2019	Conditional awards exercised in 2019	Conditional awards forfeited/ lapsed in 2019	Number of conditional awards at December 2019	Conditional time constrained
Nil	R3,28	26 July 2018	2 847 042	**–**	**–**	**914 872**	**1 932 170**	**1 932 170**
Nil	R3,22	15 May 2019	–	**1 240 045**	**–**	**–**	**1 240 045**	**1 240 045**
			2 847 042	**1 240 045**	**–**	**914 872**	**3 172 215**	**3 172 215**

The volume-weighted average share price during the year for Hulamin shares was R2.86.

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

		2018	2019
Share price at grant date	(R)	4,34	**4,11**
Risk-free interest rate	(%)	7,34	**7,08**
Expected volatility	(%)	44,34	**41,63**
Expected dividends	(%)	3,27	**3,49**
Expected remaining life	(months)	19	**28**
Contractual life	(months)	36	**36**

Vesting conditions:

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

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

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2018	Conditional awards granted in 2019	Conditional awards exercised in 2019	Conditional awards forfeited/ lapsed in 2019	Number of conditional awards at December 2019	Conditional time constrained
Nil	R3,93	26 July 2018	602 164	**–**	**–**	**–**	**602 164**	**602 164**
			602 164	**–**	**–**	**–**	**602 164**	**602 164**

The volume-weighted average share price during the year for Hulamin shares was R2.86.

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

		2018
Share price at grant date	(R)	4,34
Risk-free interest rate	(%)	7,34
Expected volatility	(%)	N/A
Expected dividends	(%)	3,27
Expected remaining life	(months)	19
Contractual life	(months)	36

Vesting conditions:

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

(d) BEE Equity Transactions

(i) Strategic Partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The Strategic BEE partners, through Imbewu SPV 14 (Pty) Ltd, subscribed for 9 018 000 B1 ordinary, 9 018 000 B2 ordinary shares, and 18 036 000 B3 ordinary shares at a total cost of R361 000. For accounting purposes the fair value of the transaction at grant date is R20 000 000, which was expensed in full in the 2015 financial year. The share-based payments charge is based on the number of B1 and B2 ordinary shares. The fair value of the B1 share-based payments takes into account an effective grant price of 50% of the 30-day volume-weighted average price (VWAP) (R5.83) of the group's ordinary shares on grant date, while the fair value of the B2 share-based payments is based on an effective grant price of 100% of the same VWAP.

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

Share price at grant date	R5.49
Expected option life	Five years
Lock in period	Three years
Risk free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,50%
Expected remaining life	12 months
Contractual life	60 months

Vesting conditions:

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

(ii) 2015 Hulamin Employee Share Ownership Plan (ESOP)

On 22 December 2015, the ESOP trust subscribed for 4 721 600 A1 ordinary and 26 755 733 A2 ordinary shares. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within stipulated Patterson Bands.

The fair value of the share-based payments takes into account an effective grant price of Rnil for the A1 shares and an effective grant price of the 30-day VWAP of the group's ordinary shares on grant date (R5.83) for the A2 shares, with the grant price reduced by dividends accruing to those shares over the vesting period.

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

8.1 Share-based payments continued

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

Share price at grant date	R5.49
Risk free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,50%
Expected remaining life	12 months
Contractual life	60 months

Vesting conditions:

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

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

Bingelela Capital (Pty) Ltd (Bingelela)

On 1 July 2015, Isizinda acquired the Bayside casthouse business for a purchase consideration of R100.2 million funded by a loan from Hulamin to Isizinda. At the time Bingelela had a 60% interest and Hulamin had a 40% interest in Isizinda. The interest held by Bingelela is accounted for as a grant of an equity option. The fair value of the option at the grant date was R27.2 million, which was determined on an indirect basis with reference to the intrinsic value of the business. This was determined on an indirect basis with reference to the bargain purchase gain (R51.9 million) and the contributed capital of R4 million from the outside shareholder. The time value component was deemed to be nominal.

During the 2019 financial year, Bingelela and Hulamin Operations agreed on a restructure of Isizinda whereby, inter alia, payments totalling R65 million were agreed to be made to Bingelela. This constitutes a settlement of the equity-settled share-based payment. The fair value of Bingelela's 60% interest in Isizinda was determined to be Rnil immediately before settlement.

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 R 1.1 million, which was determined on an indirect basis with reference to the intrinsic value of the business. As at 31 December 2019, Bingelela owned 117 472 shares (58.74%) in Isizinda and the Trust owned 5 056 shares (2.53%). The fair value of these share-based payments take into account an exercise price of nil.

8.2 Retirement benefits

(a) Accounting policies and significant judgements

(i) Pension obligations

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

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

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

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

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

(iii) Retirement Benefit Schemes

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

(b) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R14.8 million (2018: R14.6 million) and were expensed during the year.

(c) Hulamin Pension Fund

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

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

The assets relating to the retirement benefit equalisation value are held in the employer surplus account and there is no cross-subsidisation between the retirement benefit equalisation value and the assets held by the fund in terms of the defined contribution section of the fund. In addition to the assets relating to the retirement benefit equalisation value, assets relating to the surplus apportionment to the company are held in the employer surplus account.

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

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and assets in the employer surplus account was performed in accordance with IAS 19 (revised) at 31 December 2019. The next valuation will be performed at 31 December 2020.

	2019 R'000	2018 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**113 239**	150 157
Present value of funded obligations	**(17 679)**	(16 297)
Pension fund asset at end of year	**95 560**	133 860
(ii) Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**16 297**	17 259
Current service cost	**2 507**	3 138
Interest cost	**1 934**	2 029
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(1 924)**	(2 937)
Actuarial gains arising from experience adjustments	**(356)**	(2 980)
Benefits paid	**(779)**	(212)
Defined benefit obligation at end of year	**17 679**	16 297

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

8.2 Retirement benefits continued

		2019 R'000	2018 R'000
(iii) Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:			
Fair value of plan assets at beginning of year		**150 157**	144 313
Interest income		**13 205**	14 421
Remeasurements:			
Losses on plan assets, excluding amounts included in interest income		**(1 325)**	(8 365)
Contribution funded from employer reserves		**(48 019)**	–
Benefits paid		**(779)**	(212)
Fair value of plan assets at end of year		**113 239**	150 157
The fair value of plan assets comprises the employer surplus account which comprises:			
Quoted market price in an active market:			
Market risk portfolio		**59 814**	57 065
Conservative portfolio		**354**	239
Money market and cash		**53 071**	13 219
Other assets:			
Loan to employer company (note 3.2)		**–**	79 634
		113 239	150 157
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year		**60 237**	70 523
(iv) The amounts recognised in the statement of profit or loss are as follows:			
Defined benefit plan (retirement benefit equalisation value)		**(8 764)**	(9 254)
Current service cost		**2 507**	3 138
Net interest income		**(11 271)**	(12 392)
Defined contribution plan		**53 367**	50 326
Employer contribution from reserves (utilisation of employer surplus account)		**48 019**	–
Employer cash contribution		**5 348**	50 326
		44 603	41 072
(v) Amounts recognised in other comprehensive income are as follows:			
Actuarial gains arising from changes in financial assumptions		**(1 924)**	(2 937)
Actuarial gains arising from experience adjustments		**(356)**	(2 980)
Gains on plan assets, excluding amounts included in interest income		**1 325**	8 365
		(955)	2 448
The average duration of the benefit obligation at 31 December 2019 is 19.0 years (2018: 20.2 years).			
(vi) Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**10,30**	10,50
Future inflation rate	(%)	**5,50**	6,30
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(368)**	(414)
1% increase in discount rate – effect on the obligation		**(2 761)**	(2 692)
1% decrease in discount rate – effect on current service cost		**451**	512
1% decrease in discount rate – effect on the obligation		**3 378**	3 325

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

(d) Post-retirement Medical Aid Benefits

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

	2019 R'000	2018 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**195 739**	208 915
Liability in the balance sheet	**195 739**	208 915
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**208 915**	223 929
Total expense accrued	**23 757**	24 559
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(18 151)**	(21 725)
Actuarial gains arising from experience adjustments	**(6 674)**	(5 413)
Benefit payments	**(12 108)**	(12 435)
Balance at end of year	**195 739**	208 915
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**21 531**	22 053
Current service costs	**2 226**	2 506
	23 757	24 559
(iv) Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(18 151)**	(21 725)
Actuarial gains arising from experience adjustments	**(6 674)**	(5 413)
	(24 825)	(27 138)

(v) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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

8.2 Retirement benefits continued

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

		2019 R'000	2018 R'000
Discount rate	(%)	**10,30**	10,50
Future company subsidy rate – in service	(%)	**5,50**	6,30
Future company medical subsidy increase – pensioners	(%)	**7,25**	8,05
Sensitivity of future company subsidy rate:			
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs		**2 526**	3 171
1% increase in future company subsidy rate – effect on the obligation		**21 528**	25 637
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs		**(2 145)**	(2 660)
1% decrease in future company subsidy rate – effect on the obligation		**(18 383)**	(21 633)
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(343)**	(744)
1% increase in discount rate – effect on the obligation		**(17 704)**	(20 985)
1% decrease in discount rate – effect on current service cost		**348**	812
1% decrease in discount rate – effect on the obligation		**21 005**	25 221

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 2019 is 10.9 years (2018: 12.2 years). This number is analysed as follows:

- active members 17.3 years (2018: 17.8 years)
- retired members 8.7 years (2018: 8.9 years)

	2019 R'000	2018 R'000
Estimated benefits payable by the group in the next financial year	**14 152**	12 181

(e) Retirement gratuities

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

	2019 R'000	2018 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**29 268**	42 823
Liability in the balance sheet	**29 268**	42 823
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**42 823**	42 838
Total expense accrued	**7 206**	7 068
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(3 377)**	(3 813)
Actuarial (gains)/losses arising from experience adjustments	**(3 753)**	(2 444)
Curtailment (gain)/loss	**(3 523)**	–
Gratuity payments	**(10 108)**	(826)
Balance at end of year	**29 268**	42 823
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**4 666**	4 495
Service costs	**2 540**	2 573
	7 206	7 068
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(3 377)**	(3 813)
Actuarial (gains)/losses arising from experience adjustments	**(3 753)**	(2 444)
Curtailment (gain)/loss	**(3 523)**	–
	(10 653)	(6 257)

(v) Principal risks

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

Financial assumptions:

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

Demographic assumptions:

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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

8.2 Retirement benefits continued

Changes in the principal financial assumptions are detailed below.
Principal actuarial assumptions at the end of the reporting period are as follows:

		2019 R'000	2018 R'000
Discount rate	(%)	**10,30**	10,50
Future salary inflation rate	(%)	**5,50**	6,30
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**599**	832
1% increase in future salary inflation rate – effect on the obligation		**3 190**	4 309
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(518)**	(722)
1% decrease in future salary inflation rate – effect on the obligation		**(2 799)**	(3 789)

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

The average duration of the benefit obligation at 31 December 2019 is 10.9 years (2018: 10.2 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1 671 000 (2018: R1 855 000).

8.3 Directors' remuneration and interest

8.3.1 Directors' remuneration

(i) Directors' and prescribed officer's remuneration during the 2019 financial year

	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related payments[1] Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted[2] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
TP Leeuw	556 662	270 290					826 952		826 952	
VN Khumalo[3]	253 883	153 360					407 243		407 243	
NNA Matyumza	324 809	145 210					470 019		470 019	
SP Ngwenya	215 858	99 890					315 748		315 748	
PH Staude[4]	124 350	26 030					150 380		150 380	
GHM Watson	612 164	274 945					887 109		887 109	
N Maharajh	337 920	152 830					490 750		490 750	
CA Boles	286 784	143 960					430 744		430 744	
B Mehlomakulu	262 114	126 450					388 564		388 564	
RL Larson	500 807	229 918					730 725		730 725	
	3 475 353	1 622 883	–	–	–	–	5 098 236	–	5 098 236	–
Executive										
RG Jacob			5 139 420		152 284	641 603	5 933 306	–	5 933 306	–
AP Krull			3 791 784		147 966	473 148	4 412 898	–	4 412 898	–
MZ Mkhize			3 537 108		163 878	441 314	4 142 300	–	4 142 300	–
	–	–	12 468 312	–	464 128	1 556 064	14 488 504	–	14 488 504	–
Prescribed officer										
DR Weisz[5]			1 697 185	3 117 120	108 253	211 667	5 134 225	–	5 134 225	–
	–	–	1 697 185	3 117 120	108 253	211 667	5 134 225	–	5 134 225	–
	3 475 353	1 622 883	14 165 497	3 117 120	572 381	1 767 731	24 720 965	–	24 720 965	–

1 *Severance costs include notice pay, leave pay and gratuity on retirement.*
2 *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'. No awards were made to the executive in 2019.*
3 *Directors' fees due to a shareholder nominee on the Hulamin Board are paid to the employer organisation and not to the nominee*
4 *PH Staude resigned from the Board with effect from 17 June 2019.*
5 *DR Weisz served as managing director of Hulamin Extrusions to 4 July 2019, when the position was made redundant.*

Executive Committee members' remuneration (excluding acting executive committee members) during the 2019 financial year[1]

	Cash package Rand	Severance and related payments[2] Rand	Medical aid contributions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	**17 225 178**	**4 513 278**	**770 413**	**2 094 501**	**24 603 370**	**–**	**24 603 370**	**305 224**

[1] *Excluding executive directors and prescribed officer.*
[2] *Severance costs include notice pay, leave pay and gratuity on retirement.*

(ii) Directors' and prescribed officer's remuneration during the 2018 financial year

	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments[1] Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted[2] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi[3]	198 380	108 520					306 900		306 900	
TP Leeuw[3]	488 378	195 590					683 968		683 968	
VN Khumalo[4]	262 615	144 160					406 775		406 775	
NNA Matyumza	329 983	110 280					440 263		440 263	
SP Ngwenya	205 022	74 240					279 262		279 262	
PH Staude	262 615	89 990					352 605		352 605	
GHM Watson	588 799	248 692					837 492		837 492	
N Maharajh	297 972	101 370					399 342		399 342	
CA Boles	250 437	118 840					369 277		369 277	
B Mehlomakulu	209 387	88 080					297 467		297 467	
RL Larson	442 126	189 827					631 953		631 953	
AT Nzimande[5]	100 215	25 780					125 995		125 995	
	3 635 930	1 495 369	–	–	–	–	5 131 300	–	5 131 300	–
Executive										
RG Jacob			4 821 624	1 269 239	137 630	601 878	6 830 371	1 516 156	8 346 527	731 021
AP Krull			3 557 424	933 026	138 331	443 853	5 072 634	963 539	6 036 173	
MZ Mkhize			3 310 776	1 037 249	230 337	413 022	4 991 384	727 123	5 718 507	267 509
	–	–	11 689 824	3 239 514	506 298	1 458 753	16 894 389	3 206 818	20 101 207	998 530
Prescribed officer										
HT Molale[6]			2 787 144	375 421	189 757	347 568	3 699 890	564 888	4 264 778	227 094
DR Weisz[7]			2 771 232	395 764	127 512	345 579	3 640 087	1 150 252	4 790 339	227 100
	–	–	5 558 376	771 185	317 269	693 147	7 339 977	1 715 140	9 055 117	454 194
	3 635 930	1 495 369	17 248 200	4 010 699	823 568	2 151 900	29 365 666	4 921 958	34 287 624	1 452 724

[1] *The bonus payments reflected above are in relation to the 2018 year, paid in 2019.*
[2] *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.*
[3] *ME Mkwanazi resigned Board with effect from 26 April 2018. Mr TP Leeuw was appointed chairman from this date.*
[4] *Directors' fees due to a shareholder nominee on the Hulamin Board are paid to the employer organisation and not to the nominee.*
[5] *AT Nzimande was appointed with effect from 26 April 2018*
[6] *HT Molale served as managing direct of Hulamin Extrusions to 28 February 2018 (2 months).*
[7] *DR Weisz served as managing direct of Hulamin Extrusions from 1 March 2018 (10 months).*

Executive Committee members' remuneration (excluding acting executive committee members) during the 2018 financial year[1]

	Cash package Rand	Bonus and performance related payments[2] Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	19 910 146	4 426 008	859 185	2 103 554	27 298 893	5 195 000	32 493 893	871 900

[1] *Excluding executive directors and prescribed officer.*
[2] *The bonus payments reflected above are in relation to the 2018 year, paid in 2019.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

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

8.3 Directors' remuneration and interest continued

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

(i) Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights granted in 2016	Number of rights granted in 2017	Number of rights at December 2018	Number of rights exercised in 2019	Number of rights lapsed in 2019	Number of rights at December 2019	Rights time constrained
Executive directors									
RG Jacob	–	633 100	744 440	604 005	1 981 545		**744 440**	**1 237 105**	**–**
AP Krull	–	–	–	327 554	327 554			**327 554**	**–**
MZ Mkhize	241 172	201 780	313 573	304 817	1 061 342		**554 745**	**506 597**	**–**
	241 172	834 880	1 058 013	1 236 376	3 370 441	**–**	**1 299 185**	**2 071 256**	**–**
Prescribed officer									
DR Weisz	–	170 607	265 944	258 032	694 583			**694 583**	**–**
	–	170 607	265 944	258 032	694 583	**–**	**–**	**694 583**	**–**
Grant price	R4,01	R6,90	R6,30	R6,50					
Grant date	27 May 2013	24 April 2014	22 April 2016	26 April 2017					

(ii) Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2016	Number of rights at December 2018	Number of conditional awards exercised in 2019	Number of conditional awards lapsed in 2019	Number of conditional awards at December 2019
Executive director					
AP Krull	145 370	145 370	**–**	**145 370**	**–**
Grant price	R5,75				
Grant date	1 May 2016				

(iii) Employee Conditional Share Plan (Bonus shares)

	Number of conditional awards granted in 2018	Number of conditional awards granted in 2019	Number of conditional awards lapsed in 2019	Number of conditional awards at December 2019	Conditional awards time constrained
Executive directors					
RG Jacob	117 649	**–**	**–**	**117 649**	**117649**
AP Krull	78 538	**–**	**–**	**78 538**	**78538**
MZ Mkhize	57 682	**–**	**–**	**57 682**	**57682**
	253 869	**–**	**–**	**253 869**	**253869**
Prescribed officer					
DR Weisz	39 259	**–**	**–**	**39 259**	**39259**
	39 259	**–**	**–**	**39 259**	**39259**
Grant price	R6,22				
Grant date	26 July 2018				

(iv) Employee Conditional Share Plan (Performance shares)

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2019	Number of conditional awards lapsed in 2019	Number of conditional awards at December 2019	Conditional awards time constrained
Executive directors					
RG Jacob	321 279	–	–	**321 279**	**321 279**
AP Krull	199 660	–	–	**199 660**	**199 660**
MZ Mkhize	152 571	–	–	**152 571**	**152 571**
	673 510	–	–	**673 510**	**673 510**
Prescribed officer					
DR Weisz	125 183	–	–	**125 183**	**125 183**
	125 183	–	–	**125 183**	**125 183**
Grant price	R6,22				
Grant date	26 July 2018				

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

The aggregate holdings as at 31 December 2019 of those directors of the company holding issued ordinary shares of the company are detailed below:

	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
As at 31 December 2019				
Executive				
RG Jacob	**928 432**			**928 432**
MZ Mkhize	**84 554**			**84 554**
	1 012 986	–	–	**1 012 986**
Non-executive				
CA Boles	**60 000**			**60 000**
PH Staude*	**91 610**			**91 610**
GH M Watson	**27 763**			**27 763**
	179 373	–	–	**179 373**
Total	**1 192 359**	–	–	**1 192 359**
As at 31 December 2018				
Executive				
RG Jacob	903 432			903 432
MZ Mkhize	84 554			84 554
	987 986	–	–	987 986
Non-executive				
CA Boles	60 000			60 000
PH Staude	91 610			91 610
GHM Watson	27 763			27 763
	179 373	–	–	179 373
Total	1 167 359	–	–	1 167 359

**PH Staude resigned during the current financial year and has not been replaced.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

9. Other: detailed disclosure requirements

9.1 Net finance costs

	2019 R'000	2018 R'000
Interest expense	**56 513**	77 588
Non-current borrowings interest	**8 718**	14 178
Current borrowings interest	**49 093**	70 200
Interest on lease liabilities	**4 947**	–
Interest capitalised	**(6 245)**	(6 790)
Interest income	**(8 021)**	(3 887)
Net finance costs	**48 492**	73 701

9.2 Deferred tax

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

Deferred tax liabilities are recognised for all taxable temporary differences.

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

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

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

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

	2019 R'000	2018 R'000
(a) Deferred tax asset		
At beginning of year	**17 060**	21 152
Tax (charged)/credited directly to equity		(57)
Statement of profit or loss:		
Current year credit/(charge)	**(129)**	(4 721)
Prior year credit/(charge)		1 536
Deferred tax charge in other comprehensive income	**(557)**	(851)
Debit balance transferred from deferred tax liabilities	**76 756**	–
At end of year	**93 130**	17 060
Comprising:		
Fixed assets	**10 679**	–
Retirement benefit obligations and other provisions	**31 644**	17 053
Provisions and leave accrual	**28 136**	–
Lease liabilities	**12 520**	–
Right-of-use asset	**(4 306)**	–
Share schemes	**1 582**	
Assessed loss	**–**	–
Other	**12 875**	7
	93 130	17 060
Deferred tax asset to be recovered after more than 12 months	**35 486**	17 053
Deferred tax asset to be recovered within 12 months	**57 644**	7
	93 130	17 060

For the year ended 31 December 2018, Hulamin Extrusions had both an assessed loss and temporary differences for which a deferred tax asset was not recognised, as there was a significant uncertainty that there would be sufficient taxable profits in future. During 2019, the Hulamin Extrusions business was restructured by way of the closure of its Olifantsfontein operation and the restructure of its Pietermaritzburg operation. This has resulted in a significant reduction in the cost base of the business and an improvement in margins through focusing sales on the most attractive markets. Management has performed an assessment of future cash flows and taxable profits of the restructured operation, taking into account the disposal of the property, plant and equipment of the Olifantsfontein operation, and is of the view that there remains insufficient future taxable profits and taxable temporary differences to utilise the unrecognised deferred tax asset.

In addition, during the current year Hulamin Operations Proprietary Limited, which comprises the Hulamin Rolled Products and Hulamin Containers business units, incurred a significant impairment charge and recorded a tax loss. Based on an assessment of future cash flows and taxable profits, management is of the view that there is insufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and as a result the group has not recognised a deferred tax asset of R117 million (2018: R34.8 million) relating to deductible temporary differences and unused tax losses as the probability of recovery is uncertain.

	2019 R'000	2018 R'000
(b) Deferred tax liability		
At beginning of year	**221 060**	578 568
Tax charged directly to equity	**(1 753)**	2 099
Statement of profit or loss:		
Current year (credit)/charge	**(297 263)**	(344 311)
Prior year (credit)/charge	**3 160**	(3 940)
Deferred tax (credit)/charge in other comprehensive income	**15 030**	(11 356)
Transfer of debit balance to deferred tax liability	**76 756**	
At end of year	**16 990**	221 060
Comprising:		
Accelerated tax depreciation	**18 756**	272 915
Provisions and leave pay accruals	**(1 766)**	(95 580)
Defined benefit fund	**–**	37 481
Share schemes	**–**	(6 504)
Hedging reserve	**–**	(2 443)
Derivative instruments – not designated as hedging instruments	**–**	15 191
	16 990	221 060
Deferred tax liability to be settled after more than 12 months	**–**	(152 427)
Deferred tax liability to be settled within 12 months	**16 990**	373 487
	16 990	221 060

9.3 Taxation

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

An income tax asset arises as a result of provisional tax payments made during the year being in excess of the current tax charges. The income tax asset in the current year includes overpayments of tax made both in the current year and 2018.

Deferred tax balances related to property, plant and equipment have been amended after an independent external review of the Hulamin Rolled Products fixed asset register. The review identified certain allowances claimed on fixed assets in the 2017 year of assessment for which it is not probable that the Commissioner for The South African Revenue Service would agree with the treatment presented. Consequently an additional charge of R2.6 million has been provided in the current financial year.

		2019 R'000	2018 R'000
South African normal taxation:			
Current			
Current year charge		**36 706**	88 668
Prior year under/(over) provision		**(8 551)**	6 201
Deferred			
Current year (credit)/charge		**(297 135)**	(339 590)
Prior year (over)/under provision		**3 160**	(5 476)
		(265 820)	(250 197)
Foreign capital gains tax		**465**	–
		(265 355)	(250 197)
South African income tax is levied on the company and its subsidiaries and not the group.			
Tax rate reconciliation			
Normal rate of taxation	(%)	**28,0**	28,0
Adjusted for:			
Allowances not included in the statement of profit and loss	(%)	**0,3**	0,3
Prior year over provision	(%)	**0,4**	(0,2)
Expenses not deductible for tax purposes	(%)	**(0,1)**	(0,6)
Income not taxable for tax purposes	(%)	**0,1**	(0,3)
Prior year deferred tax asset reversed	(%)	**–**	(2,0)
Deferred tax asset not recognised	(%)	**(10,6)**	(0,8)
Effective rate of taxation	(%)	**18,1**	24,4

9. Other: detailed disclosure requirements continued

9.4 Related party transactions

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

	2019 R'000	2018 R'000
Loan from pension fund (refer note 3.2)	**–**	79 634
Interest paid to pension fund	**388**	6 899

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

9.5 Financial assets and financial liabilities

The group holds the following financial instruments:

	Note	Financial instruments at amortised cost R'000	Financial instruments at fair value through profit or loss R'000	Derivatives applied under hedge accounting R'000	Total R'000
2019					
Financial assets – current					
Trade and other receivables	4.3(b)	**804 415**			**804 415**
Derivative financial assets	7.1(d)			**88 661**	**88 661**
Cash and cash equivalents	4.1	**126 207**			**126 207**
		930 622	**–**	**88 661**	**1 019 283**
Financial liabilities – current					
Trade and other payables	4.4	**1 005 121**			**1 005 121**
Borrowings	3.2	**352 083**			**352 083**
Lease liabilities	3.3	**12 088**			**12 088**
Derivative financial instruments	7.1(d)			**44 026**	**44 026**
		1 369 292	**–**	**44 026**	**1 413 318**
Financial liabilities – non-current					
Lease liabilities	3.3	**34 405**			**34 405**
2018					
Financial assets – current					
Trade and other receivables	4.3(b)	1 530 279			1 530 279
Derivative financial assets	7.1(d)		69 208	2 073	71 281
Cash and cash equivalents	4.1	525 981			525 981
		2 056 260	69 208	2 073	2 127 541
Financial liabilities – current					
Trade and other payables	4.4	1 380 209			1 380 209
Borrowings	3.2	765 783			765 783
Derivative financial instruments	7.1(d)		21 383	12 628	34 011
		2 145 992	21 383	12 628	2 180 002
Financial liabilities – non-current					
Borrowings	3.1	54 000			54 000

The group's exposure to various risks associated with the financial instruments is discussed in note 7. The associated inputs to the fair value calculation, where applicable, is provided in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

10. Adoption of new and amended accounting standards

(a) IFRS 16 Leases

(i) Impact of adoption – 1 January 2019

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard (modified retrospective approach). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

The group leases various buildings, forklifts and IT-equipment. Rental contracts typically extend for fixed periods of 1 to 5 years but may have further extension options. Extension and termination options are included in a number of property leases across the group and are included in the calculation to determine the value of lease liabilities. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings.

Historically leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at commencement date. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments)
- variable lease payment that are based on an index or a rate

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the incremental borrowing rate, which is the rate that Hulamin would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.
To determine the incremental borrowing rate, the group has used the interest rate applicable to this revolving facility and where applicable, makes adjustments specific to the lease, e.g. term and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Contracts may contain both lease and non-lease components. The group has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.8%.

Practical expedients applied
In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

10. Adoption of new and amended accounting standards continued

(a) IFRS 16 Leases continued

(i) Impact of adoption – 1 January 2019 continued

Measurement of lease liabilities

	R'000
Operating lease commitments disclosed as at 31 December 2018	**57 096**
Discounted using the lessee's incremental borrowing rate of 8.8% at the date of initial application	**47 806**
(Less): short-term leases recognised on a straight-line basis as expense	**(2 570)**
(Less): low-value leases recognised on a straight-line basis as expense	**(242)**
Add: adjustments as a result of a different treatment of extension and termination options	**2 305**
Lease liability recognised as at 1 January 2019	**47 299**
Of which are:	
– Current lease liabilities	**12 378**
– Non-current lease liabilities	**34 921**
	47 299

Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured at the amount equal to the lease liability.

Adjustments recognised in the balance sheet on 1 January 2019:

Statement of financial position (extract)

	31 December 2018 R'000	IFRS 16 adjustment R'000	1 January 2019 R'000
Assets			
Non-current assets			
Right-of-use assets	–	47 299	**47 299**
Total non-current assets	2 095 850	47 299	**2 143 149**
Total assets	6 511 459	47 299	**6 558 758**
Liabilities			
Non-current liabilities			
Lease liabilities	–	34 921	**34 921**
Total non-current liabilities	526 798	34 921	**561 719**
Current liabilities			
Lease liabilities	–	12 378	**12 378**
Total current liabilities	2 182 040	12 378	**2 194 418**
Total liabilities	2 708 838	47 299	**2 756 137**
Total equity and liabilities	6 511 459	47 299	**6 558 758**

(ii) Impact of adoption 31 December 2019

Amounts recognised in the balance sheet:

	31 December 2019 R'000	1 January 2019 R'000
Right-of-use asset		
Land and buildings	2 245	7 617
Vehicles, equipment and other	14 863	39 682
Total right-of-use assets	17 108	47 299
Lease liabilities		
Non-current	34 405	34 921
Current	12 088	12 378
Total lease liabilities	46 493	47 299

The additions to right-of-use assets for the period amounted to R13.9 million.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	31 December 2019 R'000
Depreciation charge of right-of-use assets	
Land and buildings	1 345
Vehicles, equipment and other	15 138
	16 483
Impairment charge of right-of-use assets	
Land and buildings	4 027
Vehicles, equipment and other	23 550
	27 577
Interest expense (note 9.1)	4 947
Expense relating to short-term leases (included in cost of goods sold and administrative expenses)	1 963
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in cost of goods sold and administrative expenses)	356
The total cash outflow for leases in 2019 was R19.6 million	

There is no material impact on other comprehensive income or the basic and diluted earnings per share.

(b) IFRS 9, 'Financial Instruments': Hedge Accounting – Impact of adoption

IFRS 9, Financial Instruments: Hedge Accounting was generally adopted without restating comparative information in accordance with the transitional provisions.

(i) Derivatives and hedging

IFRS 9, 'Financial Instruments': Hedge Accounting permits separately identifiable and reliably measurable risk components to be eligible as hedge items which was not permitted under IAS 39. Therefore the adoption of IFRS 9 has enabled Hulamin to elect the metal price component of an invoice as the hedge item which has overcome the short comings in measuring hedge effectiveness under IAS 39. From 1 January 2019 Hulamin has elected to resume hedge accounting for commodity derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The change in fair value relating to the ineffective portion is recognised immediately in profit or loss, within gains and losses on financial instruments.

When derivative contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the derivative contract relating to the spot component as the hedging instrument. Changes in the fair value relating to the effective portion of the change in the spot component of the derivative contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item will either be recognised within other comprehensive income as costs of hedging or through profit and loss.

Gains or losses relating to the change in intrinsic value of options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognised within other comprehensive income as costs of hedging.

10. Adoption of new and amended accounting standards continued

(b) IFRS 9, 'Financial Instruments': Hedge Accounting – Impact of adoption continued

(i) Derivatives and hedging continued

The Group uses derivative financial instruments, such as forward currency contracts and forward commodity contracts, to hedge its foreign currency risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment.
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges

The change in the fair value of a hedging instrument is recognised in the statement of profit or loss as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss as other expense.

If the hedged item is derecognised, the unamortised fair value is recognised immediately in profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments, as well as forward commodity contracts for its exposure to volatility in the commodity prices. The ineffective portion relating to foreign currency contracts and the ineffective portion relating to commodity contracts is recognised in other operating income or expenses.

The amounts accumulated in OCI are accounted for, depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognised in OCI for the period. This also applies where the hedged forecast transaction of a nonfinancial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss. IFRS 9.6.5.11.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Notes	2019 R'000	2018 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**2 550 367**	3 385 256
Deferred tax asset	6.1	**16 375**	17 060
		2 566 742	3 402 316
Current assets			
Income tax asset		**1 870**	–
		1 870	–
Total assets		**2 568 612**	3 402 316
EQUITY			
Stated capital and share premium	3.1	**1 877 597**	1 877 597
BEE reserve		**20 000**	20 000
Employee share-based payment reserve		**63 308**	57 914
Retained earnings		**549 066**	1 384 917
Total equity		**2 509 971**	3 340 428
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid benefits	5.1	**58 479**	60 902
		58 479	60 902
Current liabilities			
Trade and other payables		**162**	784
Income tax liability		**–**	201
		162	985
Total liabilities		**58 641**	61 888
Total equity and liabilities		**2 568 612**	3 402 316

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
Revenue from contracts with customer	2.1.1	**15 961**	8 779
Interest income	2.1.2	**118 375**	113 650
Administrative expenses	2.2	**(22 180)**	(13 732)
Net impairment losses on investments in subsidiaries	4.1	**(859 392)**	–
Operating (loss)/profit		**(747 236)**	108 697
Taxation	6.2	**(31 846)**	(30 434)
Net (loss)/profit for the year attributable to equity holders of the company		**(779 082)**	78 263
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss		**1 433**	3 895
Remeasurement of post-retirement medical obligation		**1 992**	5 411
Income tax effect		**(559)**	(1 516)
Total comprehensive (loss)/income for the year attributable to equity holders of the company		**(777 649)**	82 158

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2019

	Stated capital R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2017	1 877 597	71 176	20 000	1 351 261	3 320 034
Net profit for the year	–	–	–	78 263	78 263
Other total comprehensive income for the year after tax	–	–	–	3 895	3 895
Value of employee services of subsidiaries – net of forfeiture	–	(4 031)	–	–	(4 031)
Settlement of employee share incentives	–	(9 231)	–	–	(9 231)
Dividends paid	–	–	–	(48 502)	(48 502)
Balance at 31 December 2018	**1 877 597**	**57 914**	**20 000**	**1 384 917**	**3 340 428**
Net loss for the year	–	–	–	(779 082)	(779 082)
Other total comprehensive income for the year after tax	–	–	–	1 433	1 433
Value of employee services of subsidiaries – net of forfeiture	–	5 699	–	–	5 699
Settlement of employee share incentives	–	(305)	–	–	(305)
Dividends paid	–	–	–	(58 202)	(58 202)
Balance at 31 December 2019	**1 877 597**	**63 308**	**20 000**	**549 066**	**2 509 971**

COMPANY CASH FLOW STATEMENT
for the year ended 31 December 2019

	Notes	2019 R'000	2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**123 271**	138 732
Net income tax paid		**(33 792)**	(28 418)
Post-retirement medical aid benefits paid	5.1	**(6 470)**	(5 574)
Net cash inflow from operating activities		**83 009**	104 741
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries		**(24 502)**	(47 008)
Net cash outflow from investing activities		**(24 502)**	(47 008)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of employee share incentives		**(305)**	(9 231)
Dividends paid		**(58 202)**	(48 502)
Net cash outflow from financing activities		**(58 507)**	(57 733)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–
A: CASH GENERATED BEFORE WORKING CAPITAL CHANGES			
Operating (loss)/profit		**(747 236)**	108 697
Adjusted for:			
Post-retirement medical aid accrued expense	5.1	**6 038**	5 091
Value of employee services of subsidiaries-net of forfeiture		**5 699**	(4 031)
Net impairment losses on investments in subsidiaries	4.1	**859 392**	–
Cash generated before working capital changes		**123 893**	109 757
Changes in working capital	B	**(622)**	28 975
Cash generated from operations		**123 271**	138 732
B: CHANGES IN WORKING CAPITAL			
Decrease in trade and other receivables		**–**	28 413
Increase in trade and other payables		**(622)**	562
		(622)	28 975

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2019

1. General

1.1 Basis of preparation

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

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

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

The financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.10 of the Group financial statements for reference to the going-concern assessment).

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

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

1.2 New accounting standards

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

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

1.3 Accounting for assets and liabilities

Recognition of assets and liabilities

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

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

Derecognition of assets and liabilities

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

All other assets are derecognised on disposal or they no longer meet the definition of an "asset" as prescribed by the Framework.

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

1.4 Judgements made by management

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

(i) Post-employment benefit obligations

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

(ii) Share-based payment transactions

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

(iii) Provision for expected credit losses of intercompany loans

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

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2019

1. General continued

1.4 Judgements made by management continued

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

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

If the borrower at reporting date does not have sufficient liquid assets available the lender will need to determine what its recovery scenarios are to determine the exposure at default. Management has considered that they will not require a 'fire sale' of the borrowers assets but would allow the borrower time to settle the debt based on the free cash flows generated from the latest business plan for the entity. Management will adopt a 'repay over time' strategy. Management will utilise future cash flow forecasts to determine the necessary time required to repay the loan and as such, the loss given default would be limited to the effect of discounting the amount due on the loan.

1.5 Events after the reporting period

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

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

2. Performance:

2.1 Measures used to assess performance

2.1.1 Revenue from contracts with customers

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

Management fees are earned on expenditure incurred such as consulting fees, directors fees, etc.

Revenue is measured at the fair value of the consideration received or receivable.

Management and agency fees are recognised as the services are performed.

2.1.2 Interest income

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

2.2 Expenses by nature:

	2019 R'000	2018 R'000
Post-employment medical aid costs	**5 225**	5 091
Auditors' remuneration	**–**	(103)
Other costs	**16 955**	8 744
	22 180	13 732
Auditors' remuneration		
Audit fees	**–**	120
Expenses	**–**	–
Prior year over provision	**–**	(223)
	–	(103)
Directors' emoluments		
Non-executives		
Fees	**5 099**	5 131
	5 099	5 131

3. Debt/equity: Measures to assess group leverage

3.1 Share capital and share premium

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

Authorised

800 000 000 ordinary shares of no par value (2018: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2018: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2018: 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.

	2019 R'000	2018 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 ordinary shares of no par value (2018: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
Issued during the year: nil (2018: nil)	**–**	–
Closing balance: 319 596 836 ordinary shares of no par value (2018: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance and closing balance: 4 721 600 A1 and 26 755 733 A2 shares of no par value (2018: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**59 656**	59 656
B ordinary shares		
Opening balance and closing balance: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2018: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
Total issued capital	**1 877 597**	1 877 597

Unissued

Under option to employees:

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

Under the control of the directors:

At 31 December 2019, 6 801 529 unissued ordinary shares (2018: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

3.2 Dividends per share

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

	2019 R'000	2018 R'000
Dividends per share declared		
Final dividend: Nil cents on nil ordinary shares (2018: 18 cents on 319 596 836 ordinary shares)	**–**	57 527
Final dividend: Nil cents on nil A1 ordinary shares (2018: 18 cents on 4 721 600 A1 ordinary shares)	**–**	850
Total	**–**	58 377

No dividend was declared in respect of the 2019 financial year.

4. Investments: Investments in subsidiaries

4.1 Investment in subsidiaries

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

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

The company has applied the expected credit loss model in considering the loss allowance required at 31 December 2019. The maximum period over which expected loss allowances should be measured is the longest contractual period over which the company is exposed to credit risk. As the loan is repayable on demand, the exposure to credit risk is the period between an assumed demand at the financial year-end and the period it would take the subsidiary to settle the outstanding balance. Hulamin Operations Proprietary Limited has sufficient facilities available at financial year-end to repay the full loan balance on demand. The company is therefore not exposed to credit risk and no loss allowance has been provided for on the outstanding loan balance.

	2019 R'000	2018 R'000
Investment in shares in subsidiaries	**1 631 576**	2 485 574
Loan to subsidiary	**918 791**	899 682
	2 550 367	3 385 256

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

An impairment amount of R859 million has been recognised in the current year as a result of the carrying amount of the investment exceeding the carrying amount of the investee's net assets.

The effective interest rate on the loan to subsidiary for the year was 12.9% variable interest (2018: 12.6%).

No repayment terms have been set, and consequently no portion of the loan is considered past due.

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

The company holds the following direct and indirect investments:

Name	Country of incorporation	% Equity interest 2019	% Equity interest 2018	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Isizinda Aluminium (Pty) Ltd*#	South Africa	**38.7**	38.7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	**–**	49	Manufacture of aluminium profiles

* *Subsidiaries of Hulamin Operations (Pty) Ltd.*
\# *Beneficial interest of 100%.*
** *Investment held by Hulamin Extrusions (Pty) Ltd.*

5. Benefits and remuneration: Our investment in employees

5.1 Post-retirement medical aid benefits

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

	2019 R'000	2018 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**58 479**	60 902
Liability in the statement of financial position	**58 479**	60 902
The liability can be reconciled as follows:		
Balance at beginning of year	**60 902**	66 796
Total expense accrued	**6 038**	5 091
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 444)**	(1 841)
Actuarial gains arising from changes in experience adjustments	**453**	(3 570)
Benefit payments	**(6 470)**	(5 574)
Balance at end of year	**58 479**	60 902
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**6 038**	5 091
	6 038	5 091
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 444)**	(1 841)
Actuarial gains arising from changes in experience adjustments	**453**	(3 570)

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:
  - Post-retirement mortality
  - Family statistics

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

Changes in the principal financial assumptions are detailed below.

Principal financial assumptions:

		2019	2018
Discount rate	(%)	**10.30**	10.50
Future company subsidy rate – in service	(%)	**6.50**	7.75
Future company subsidy rate – pensioners	(%)	**7.25**	8.05

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2019

5. Benefits and remuneration: Our investment in employees continued

5.1 Post-retirement medical aid benefits continued

Sensitivity of future medical inflation rate

	2019 R'000	2018 R'000
1% increase in future medical inflation rate		
– effect on the aggregate of the service and interest costs	**426**	476
1% increase in future medical inflation rate – effect on the obligation	**4 132**	4 531
1% decrease in future medical inflation rate		
– effect on the aggregate of the service and interest costs	**(381)**	(424)
1% decrease in future medical inflation rate – effect on the obligation	**(3 701)**	(4 040)

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 2019 is 7.2 years (2018: 7.6 years).

	2019 R'000	2018 R'000
Estimated benefits payable by the company in the next financial year	**7 051**	6 793

6. Other: Other detailed disclosure requirements

6.1 Deferred tax

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

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

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

	2019 R'000	2018 R'000
Deferred tax asset		
At beginning of year	**17 060**	18 703
Deferred tax in the statement of profit or loss:		
Current year charge	**(126)**	(127)
Deferred tax credit on other comprehensive items	**(559)**	(1 516)
At end of year	**16 375**	17 060
Comprising:		
Post-retirement medical aid provision	**16 375**	17 053
Other	**–**	7
	16 375	17 060
Deferred tax asset to be recovered after more than 12 months	**16 375**	17 053
Deferred tax asset to be recovered within 12 months	**–**	7
	16 375	17 060

6.2 Taxation

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

		2019 R'000	2018 R'000
South African normal taxation:			
Current			
Current year		**31 720**	30 510
Prior year (over)/under provision		**–**	(203)
Deferred			
Current year		**126**	127
		31 846	30 434
Tax rate reconciliation			
Normal rate of taxation	(%)	**28.0**	28,0
Adjusted for:			
Expenses not deductible for tax purposes	(%)	**(23.7)**	–
Effective rate of taxation	(%)	**4.3**	28,0

6.3 Related party transactions

During the year the company, in the ordinary course of business, entered into the following related party transactions:

	2019 R'000	2018 R'000
Interest received from subsidiary	**118 375**	113 650
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**15 857**	8 675
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:		
Loan balance owing by subsidiary (note 4.1)	**918 791**	899 682

SHAREHOLDER INFORMATION

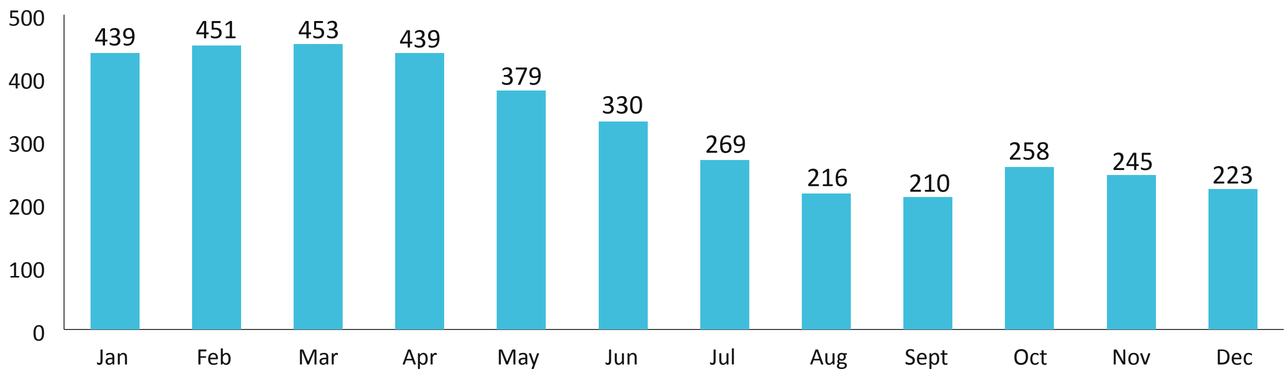
07

ANALYSIS OF SHAREHOLDERS

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Ordinary shareholders				
1 – 1 000	**2 606**	**54,56**	**632 364**	**0,19**
1 001 – 10 000	**1 368**	**28,64**	**5 803 358**	**1,82**
10 001 –100 000	**614**	**12,85**	**19 965 153**	**6,25**
100 001 – 1 000 000	**143**	**2,99**	**41 318 635**	**12,93**
Over 1 000 000 shares	**46**	**0,96**	**251 877 326**	**78,81**
	4 777	**100,0**	**319 596 836**	**100,0**
Public/non-public shareholders				
Non-public shareholders	**7**	**0,15**	**103 918 481**	**32,52**
Directors of the company	**5**	**0,11**	**1 192 359**	**0,37**
Strategic holding (more than 10%)	**1**	**0,02**	**94 587 954**	**29,60**
Treasury Stock	**1**	**0,02**	**8,138,168**	**2,55**
Public shareholders	**4 770**	**99,85**	**215 678 355**	**67,48**
Total listed shareholders	**4 777**	**100,00**	**319 596 836**	**100,00**
Beneficial shareholders holding more than 3% of share capital				
Industrial Development Corporation			**94 587 954**	**29,60**
Investec			**19 665 034**	**6,15**
Total			**114 252 988**	**35,75**
A and B ordinary shareholders (refer to note 3.5 in the annual financial statements)				
Hulamin ESOP				
A1 ordinary (voting and beneficial)			**4 721 600**	**6,99**
A2 ordinary (voting and beneficial)			**26 755 733**	**39,61**
BEE strategic partners B1 ordinary (voting and beneficial)			**9 018 000**	**13,35**
B2 ordinary (voting and beneficial)			**9 018 000**	**13,35**
B3 ordinary (voting only)			**18 036 000**	**26,70**
Total non-listed A and B ordinary shareholders			**67 549 333**	**100,00**

SHARE PRICE

Hulamin volume weighted average share price by month during 2019 (cents per share)



SHAREHOLDERS' DIARY

			Diary 2020	Diary 2019
Financial year-end			31 December	31 December
Annual general meeting			July	April
Financial reports	Interim results		August	August
	Annual results and final dividend declaration		June	March
	Annual financial statements		June	March
Dividend	Final	Declared		March
		Paid		April

NOTICE OF ANNUAL GENERAL MEETING

Hulamin Limited

Incorporated in the Republic of South Africa
Registration number: 1940/013924/06 Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

Notice is hereby given that the 80th annual general meeting of shareholders will be held entirely via a remote interactive electronic platform Microsoft Teams on Thursday, 30 July 2020 at 15:00 ("Annual General Meeting"), 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. Hulamin will be assisted by Computershare Investor Services Proprietary Limited ("the Company's Transfer Secretaries") who will also act as scrutineers.

Salient dates

The following dates apply to the Annual General Meeting:

The Record Date for purposes of determining which shareholders are entitled to receive this notice is Friday, 19 June 2020. The Last Day to Trade in order to be eligible to participate and vote at the Annual General Meeting is Tuesday, 21 July 2020.

The Record Date for shareholders to be recorded in the securities register of Hulamin in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 24 July 2020.

Shareholders to lodge Proxy Forms by Tuesday, 28 July 2020 at 15:00.

Shareholders or their duly authorised proxies who wish to participate in the Annual General Meeting, must register to do so by lodging a completed Electronic Participation Application Form by Tuesday, 28 July 2020 at 15:00.

Annual financial statements

The annual financial statements of the Company for the year ended 31 December 2019, including the reports of the directors, the independent auditors and the Audit Committee will be presented at the meeting. The annual financial statements are set out on pages 93 to 193.

Proposed ordinary resolutions

1. To authorise the directors to appoint Ernst & Young as the independent registered auditors of the Company who will undertake the audit of the Company for the ensuing year, with Mr Sifiso Sithebe as the individual designated auditor of the Company. The group Audit Committee has recommended their appointment as independent registered auditors of the Company.

2. To re-elect the following directors who retire in accordance with Article 33.11 of the Company's Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually. The profiles of the directors eligible for re-election appear below.

2.1 **Anton Paul Krull** (45) – Executive

- Chief Financial Officer
- Member of the Risk Committee
- CA(SA)

Prior to re-joining 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. He was appointed to the board of directors ("Board") on 1 May 2016.

2.2 **Robert Lennart Larson** (64) – Independent Non-Executive

- Member of the Risk Committee
- BA, MS

During a career spanning nearly 40 years, Bob most recently served as CEO of Novipax LLC, the leading producer of absorbent pads and expanded polystyrene foam trays in North America. In addition to his role as CEO of Novipax, Bob served as an Operating Partner of Atlas Holdings LLC and was instrumental in the private equity firm's acquisition of Alcoa's aluminium rolled products business in Europe in 2014. Prior to joining Novipax, Bob spent nearly six years with The Rank Group Limited, a private investment firm based in New Zealand. Before Rank, Bob enjoyed a successful career with Alcoa. He was appointed to the Board on 1 April 2017.

NOTICE OF ANNUAL GENERAL MEETING

2.3 Dr Bonakele Mehlomakulu (47) – Independent Non-Executive

- Member of the Risk Committee and Social, Ethics and Sustainability Committee
- BSc (Chemistry and Applied Chemistry); BSc (Hons) (Chemistry); MSc (Organic Chemistry); PhD (Chemical Engineering)

Dr Mehlomakulu's career started at Sasol Technology before joining the National Department of Science and Technology in various management roles. Her external industry portfolios include being a non-executive Director of SAPPI Limited and Yokogawa South Africa. Her past directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa (NECSA), Eskom Holdings SOC (Ltd), the Technology Innovation Agency (TIA), being the Deputy Chair of Unisa Council, a member of Council of the International Standards Organisation (ISO, Geneva), as well as the CEO of the South African Bureau of Standards (SABS) and a Director of its subsidiaries. She was appointed to the Board on 1 November 2016.

3. To elect the following independent non-executive directors as members of the group Audit Committee and to appoint Mr N Maharajh as chairman of the group Audit Committee. Motions for election will be moved individually.

3.1 Mr N Maharajh (Chairman)

3.2 Mr CA Boles

3.3 Dr B Mehlomakulu (subject to the adoption of 2.3 above)

Dr B Mehlomakulu profile appears under item 2.3 above.

Naran Maharajh (53)

- Chairman of the Audit Committee; member of the Risk Committee and a member of the Chairman's Committee
- 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 as a director of Comair Limited. He has previously served as non-executive director of Mercedes-Benz South Africa Limited and Masonite Africa Limited. He was appointed to the Board on 1 September 2016.

Charles Alexander Boles (50)

- Member of the Remuneration and Nomination Committee and a member of the Audit Committee
- CA(SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA (Cum Laude)

Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Board on 1 October 2016.

4. Proposed special resolutions

4.1 Approval of non-executive directors' fees

Directors' fees were approved at the annual general meeting held on 15 May 2019 and are applicable for the 12-month period ended 31 July 2020.

The Board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2020 remain unchanged as approved at the 2019 annual general meeting.

Special resolution number 1

"Resolved as a special resolution that the proposed fees, set out below, 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 2020, be and are hereby approved."

Role		Present fees to 31 July 2020		Proposed fees from 1 August 2020	
		Annual Attendance Rand	Annual Retainer Rand	Annual Attendance Rand	Annual Retainer Rand
Chairman of the Board		**477 410**	**40 920**	**477 410**	**40 920**
Member of the Board		**174 450**	**14 950**	**174 450**	**14 950**
Chairman of the audit committee		**125 550**	**17 930**	**125 550**	**17 930**
Member of the audit committee		**72 950**	**10 430**	**72 950**	**10 430**
Invitee of the audit committee			**10 430**		**10 430**
Chairman of the risk committee		**86 690**	**12 380**	**86 690**	**12 380**
Member of the risk committee		**47 580**	**6 800**	**47 580**	**6 800**
Invitee of the risk committee			**6 800**		**6 800**
Chairman of the remuneration and nomination committee		**86 690**	**12 380**	**86 690**	**12 380**
Member of the remuneration and nomination committee		**47 580**	**6 800**	**47 580**	**6 800**
Invitee of the remuneration and nomination committee			**6 800**		**6 800**
Chairman of the social, ethics and sustainability committee		**86 690**	**12 380**	**86 690**	**12 380**
Member of the social, ethics and sustainability committee		**47 580**	**6 800**	**47 580**	**6 800**
Invitee of the social, ethics and sustainability committee			**6 800**		**6 800**
Chairman of an ad hoc Board committee		**–**	**12 380**	**–**	**12 380**
Member of an ad hoc Board committee		**–**	**6 800**	**–**	**6 800**
Invitee of an ad hoc Board committee			**6 800**		**6 800**
Fees for international NEDs	(€)	**31 320**	**2 680**	**31 320**	**2 680**
Fees for international NEDs	($)	**31 720**	**2 720**	**31 720**	**2 720**

As regards the attendance fee, the Board typically holds five meetings a year and normally three meetings of the Remuneration and Nomination Committee and each of the other sub-committees of the Board are held each year.

Shareholders' approval is also requested to remunerate non-executive directors who participate in a specially constituted ad hoc Board sub-committee as detailed in the table above, and to remunerate non-executive directors who attend a Board sub-committee meeting as an invitee at the request of the chairman of the Board sub-committee.

5. Financial assistance

In terms of section 45 the Companies Act, 2008 ("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 companies or corporations which are related or inter-related to the Company from time to time.

Special resolution number 2

"Resolved as a special resolution, subject to the provisions of section 45(2) of the Companies Act, that the provision of any financial assistance by the Company to any company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

6. General authority to repurchase shares in the company

The reason for Special Resolution Number 3 is to grant the Board a general authority in terms of section 48(8) of the Companies Act and the JSE Listings Requirements, up to and including the date of the following annual general meeting of the Company, to approve the acquisition by the Company of its own shares, or to permit a subsidiary of the Company or any trust controlled by the Company to acquire shares in the Company. The directors require this general authority in order to facilitate the repurchase of the Company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the Company and its shareholders.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

Special resolution number 3

"Resolved as a special resolution that the board of directors is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted by the Company's Memorandum of Incorporation, to approve the purchase by the Company of its ordinary shares, and/or the purchase of ordinary shares in the Company by any of its subsidiaries or any trust controlled by the Company, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act and the JSE Listings Requirements, when applicable, and provided that:

- the general repurchase by the Company of ordinary shares in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the Company's issued ordinary share capital as at the date of the grant of this general authority;
- any such repurchase of securities shall be implemented through the order book operated by the JSE trading system and without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the Company will only appoint one agent at any point in time to affect any repurchase(s) on its behalf;
- general repurchases by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the repurchase of such ordinary shares is effected by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company;
- the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may not repurchase securities during a prohibited period, as detailed in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and which has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- SENS and press announcements will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary and/or any trust controlled by the Company has in terms of this general authority, repurchased ordinary shares constituting on a cumulative basis 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter."

6.1 Statement of directors

Shares repurchased by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may either be held in treasury or cancelled and restored to the status of authorised and unissued shares in the Company. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors have considered the effect of the maximum repurchase and are of the opinion that, for a period of 12 months after the date of the repurchase:

- the Company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the Company and the group will be in excess of the liabilities of the Company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the Company and the group will be adequate for ordinary business purposes;
- the working capital of the Company and the group will be adequate for ordinary business purposes; and
- a resolution by the Board has been passed authorising the repurchase and confirming that the Company and its subsidiaries have passed the solvency and liquidity test as defined in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group.

6.2 Material changes

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the financial or trading position of the Company and its subsidiaries between 31 December 2019 (being the last financial year end) and the date of this notice.

6.3 Responsibility statement

The directors, whose names appear on the corporate information page of this notice, jointly and severally accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Companies Act and the JSE Listings Requirements.

6.4 Additional disclosures in terms of the JSE Listings Requirements

Other disclosures in terms of the JSE Listings Requirements are contained elsewhere in the Integrated Annual Report, of which this notice forms part, as follows:

- Major shareholders of the Company page 195
- Share capital of the Company page 189

7. Remuneration policy – non-binding advisory vote

The King IV Report on Corporate Governance and the JSE Limited Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the Annual General Meeting. In accordance with the provisions of the JSE Listings Requirements, the Company shall give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

"Resolved that the Company's remuneration policy for financial year-ended 31 December 2019, as contained in the remuneration report set out on pages 80 to 83 of this notice, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

8. Implementation report – non-binding advisory vote

"Resolved that the Company's implementation report, as contained in the remuneration report set out on pages 84 and 85 of this notice, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

9. Other matters

- report back from the Social, Ethics and Sustainability Committee in terms of Regulation 43(5)(c) of the Companies Act on social and ethics matters pertaining to the Company.
- To transact such other business as may be transacted at an annual general meeting.

Electronic participation arrangements

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the COVID-19 pandemic, the Board has decided that the Annual General Meeting will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the Annual General Meeting are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 201 and email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to Hulamin at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Tuesday, 28 July 2020.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the Annual General Meeting.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the Annual General Meeting. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the Annual General Meeting.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the Annual General Meeting are requested by no later than 14:55 on Thursday, 30 July 2020 to join the meeting by clicking on the "Join Microsoft Teams Meeting" link to be provided by Hulamin's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the Annual General Meeting. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the Annual General Meeting.

Voting and proxies

For an ordinary resolution to be approved by the shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution. For a special resolution to be approved by the shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

Voting will be via a poll; every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

A shareholder entitled to participate and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to electronically participate, speak and vote in his/ her stead. A proxy need not be a shareholder of the Company.

The electronic platform (Microsoft Teams) to be utilised to host the Annual General Meeting does not provide for electronic voting during the meeting.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General Meeting, by completing the Form of Proxy (found at page 199) and lodging this form with the Company's Transfer Secretaries by no later than 15:00 on Tuesday, 28 July 2020 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the Annual General Meeting.

Shareholders who indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Dematerialised shareholders without 'own name' registration

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the Annual General Meeting, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the Annual General Meeting, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the Annual General Meeting in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Certificated shareholders and dematerialised shareholders with 'own name' registration

Those Certificated Shareholders and Dematerialised Shareholders with 'own name' registration, who wish to participate in the Annual General Meeting (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

Questions

Shareholders are encouraged to submit via email any questions in advance of the Annual General Meeting to the Company Secretary at willem.fitchat@hulamin.co.za. These questions will be addressed at the Annual General Meeting and will be responded to via email thereafter.

By order of the Board

Company Secretary
Pietermaritzburg
30 June 2020

Registered office
Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal

Transfer secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

Annexure A

The chairman of the Social, Ethics and Sustainability Committee feedback report

The Chairman of the Social, Ethics and Sustainability Committee, Mr VN Khumalo, advised that the following, *inter alia*, were discussed at the Social, Ethics and Sustainability Committee meetings held during 2019.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act, King IV Code of Corporate Governance and the annual workplan
- Strategy on how Hulamin will achieve its transformation, social and ethics goals
- Employment equity targets and the progress made in achieving same
- Hulamin's BEE scorecard report and the impact of the new B-BBEE codes on Hulamin's score
- Environmental sustainability matters and Hulamin's carbon footprint
- Report on disputes and stakeholder engagement issues
- Report on Hulamin's contribution to the greater Pietermaritzburg area and Hulamin's granting of sponsorships, donations and charitable giving
- Report on the educational development of employees
- Report on labour regulatory compliance
- Review of safety, health and environment performance and policies
- 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 provider
  - » Corporate compliance policy
  - » Whistle blowing policy
  - » Crimes involving dishonesty
  - » Conflict of interest and gifts policy for employees.
- Noting the fraud policy and fraud prevention strategy approved by the Audit Committee.

In addition, the committee, whose terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the group.
2. The group complies with the Employment Equity and Black Economic Empowerment Acts. Specific targets have been set for the company to increase its levels of compliance with these Acts over the short- to medium-term.
3. The group complies with its Code of Ethics. The Code of Ethics of the group requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the Board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

FORM OF PROXY

HULAMIN
Think future. Think aluminium.

Hulamin Limited

Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Certificated shareholders and/or dematerialised shareholders with "own name" registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

The Board requests that completed forms of proxy are received at the office of the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (Private Bag x9000, Saxonwold, 2132), or via email to proxy@computershare.co.za by 15:00 on Tuesday, 28 July 2020. Any forms of proxy not lodged by this time may still be lodged by email to proxy@ computershare.co.za prior to the commencement of the meeting.

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 ____ (telephone number)

Email address ____

being the holder/holders of _______________________ ordinary shares in Hulamin do hereby appoint

1. _______________________ of _______________________ (or failing him/her)

2. _______________________ of _______________________ (or failing him/her)

the chairman of the annual general meeting, as my/our proxy to attend and speak and to vote for me/us at the annual general meeting of the company to be held at 15:00 on Thursday, 30 July 2020, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

Resolution	For	Against	Abstain
1. Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor			
2. Re-election of retiring directors:			
2.1 AP Krull as an executive director			
2.2 RL Larson as an independent non-executive director			
2.3 Dr B Mehlomakulu as an independent non-executive director			
3. Appointment of group Audit Committee members and N Maharajh as chairman of the group Audit Committee:			
3.1 N Maharajh as chairman			
3.2 CA Boles			
3.3 Dr B Mehlomakulu			
4. Special resolution number 1: Approval of non-executive directors' fees			
5. Special resolution number 2: Provision of financial assistance			
6. Special resolution number 3: General repurchase of shares			
7. Non-binding advisory vote – Remuneration policy			
8. Non-binding advisory vote – Implementation report			

Signed at _______________________ on this __________ day of _______________ 2020

Signature _______________________ Name _______________________

Assisted by me (where applicable) _______________________ Capacity _______________________

NOTES TO THE FORM OF PROXY

1. Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy.
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.

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE 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")

Annual general meeting – 30 July 2020 ("AGM")

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

Instructions

Shareholders or their proxies, have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's Transfer Secretaries at proxy@computershare.co.za and to the Company at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Tuesday, 28 July 2020.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a Participant") to enable the Company to forward the Participant a Microsoft Teams meeting invitation required to access the AGM.

Hulamin will send each Participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams Meeting" on 30 July 2020 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy (found at page 199) and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants who indicate in this form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and/or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Information required for participation by electronic communication at the AGM

Full name of shareholder:		
Identity or registration number of shareholder:		
Full name of authorised representative (if applicable):		
Identity number of authorised representative:		
Email address: *Note: this email address will be used by the Company to share the Microsoft Teams invitation required to access the AGM electronically		
Cell phone number:		
Telephone number, including dialling codes:		
*Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 199.		
Indicate (by marking with an 'X') whether: ☐ votes will be submitted by proxy in advance of the AGM (in which case, please enclose the duly completed proxy form with this form); or ☐ the Participant will not be submitting votes by proxy in advance of the AGM and wishes to cast votes during the AGM. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.		
By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Hulamin's AGM.		
Signed at	on	2020
Signed:		

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING CONTINUED

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM, a copy of which proxy form follows Annexure A of the AGM notice.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport/ of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

NOTES

CORPORATE INFORMATION

Hulamin Limited

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

Business address and registered office

Moses Mabhida Road
Pietermaritzburg
3200

Postal address

PO Box 74
Pietermaritzburg
3200

Contact details

Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
Email: hulamin@hulamin.co.za

Securities exchange listing

South Africa (Primary)
JSE Limited

Transfer secretaries

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

Auditors

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

Sponsor

Questco Corporate Advisory Proprietary Limited
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2191
Telephone: +27 11 011 9200
Email: sponsor@questco.co.za
Website: www.questco.co.za

Directorate

Non-executive directors

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*
N Maharajh*
NNA Matyumza*
B Mehlomakulu (Dr)*
SP Ngwenya
PH Staude*[1]
GHM Watson*
GC Zondi (Alternate)

Executive directors

RG Jacob, Chief Executive Officer
AP Krull, Chief Financial Officer
MZ Mkhize, Managing Director: Hulamin Rolled Products[2]

** Independent non-executive directors*
[1] Retired 30 June 2019
[2] Resigned 28 February 2020

Company Secretary

W Fitchat
Email: willem.fitchat@hulamin.co.za

Corporate information and investor relations

BA Mngadi
Email: Ayanda.Mngadi@hulamin.co.za

www.hulamin.com