HULAMIN

Integrated Annual Report
for the year ended 31 December 2011

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On the cover
Front image: Busani Zwane, Hot Mill Coordinator; Kritesh Lanka, Hot Finishing Mill Operator; Avinesh Govender, Hot Mill In-Service Trainee
Middle image: Ramesh Mathura, Extrusions Remelt Admin Officer; Lynelle Hemmero, Extrusions Remelt Foreman
Back image: Herbet Ngcobo, Decoating Shift Leader; Zamo Khumalo, Auxiliary Operator; Xoli Ndlovu, Auxiliary Operator

About this report

This, our first Integrated Report, is based on the Integrated Reporting Committee's (IRC) discussion paper of 25 January 2011 titled "Framework for integrated reporting and the integrated report". The IRC, which is a South African organisation, was established in May 2010 to develop guidelines on good practice in integrated reporting.

Additional guidelines that have been followed in compiling this report include International Financial Reporting Standards (IFRS), the JSE Listings Requirements, the King Report on Governance for South Africa 2009 and the South African Companies Act, No 71 of 2008.

This report places our financial, sustainability and governance performance for the period ended December 2011 in the context of the overall business, our industry and situation. This report also covers Hulamin's investment case and key performance drivers, as well as risks facing our business and how we deal with them.

Our external auditors PricewaterhouseCoopers audited the financial statements included in this report. Assurance on the sustainability report was provided by KPMG Services (Proprietary) Limited.
The Audit and Risk Committee had oversight of the preparation of this report and recommended it for board approval, which was obtained on 16 February 2012.

Mthobisi Mncube, Slitter Operator;
Terron Mabaso, Mechanical Artisan;
Mlungisi Sokhela, Shift Leader – for the Coating Line Slitter

OUR VALUES

Mutual respect

We treat each other as we would like to be treated. We respect the rights and fair expectations of others – this has particular importance in our diverse society.

Honesty and integrity

We behave in ways that are ethical and result in trust, openness and fairness.

Working safely and responsibly

Every employee has the right to work without fear or risk of personal injury and has the responsibility to work in ways that give the same right to fellow workers. Furthermore, every employee has the additional responsibility to promote zero harm to our environment.

Customer value

- We strive to exceed our customers' expectations.
- We recognise that our customers have alternatives.
- We strive to be our customers' first-choice supplier.

Teamwork

We are all team players. We achieve more working together than the total of everyone's efforts working alone. Our logo symbolises our commitment to teamwork.

OUR PROMISE

- To earn a reputation for excellent customer service;
- To generate respectable profits in our operations;
- To set the benchmark in our industry for safe and responsible manufacturing; and
- To assist all employees to uplift their skills level.

OUR LOGO

Our logo, the Circle of Synergy, shows our commitment to partnerships with our suppliers, customers and the communities in which we operate.

OUR MISSION

Hulamin Extrusions

Our mission is to build a reputation with our customers for our quality and service.

Hulamin Rolled Products

We take pride in building a winning aluminium rolling mill where:

- Employees' lives are enriched;
- We make a meaningful contribution in the Pietermaritzburg regional community;
- Customers choose us before others; and
- We create value for our shareholders.

Salient features

FINANCIAL

		2011	2010
Revenue	(R million)	**6 957**	5 809
Sales volumes	(000 tons)	**229**	206
Increase in Rolled Products sales volumes	(%)	**11**	31
Decrease in Rolled Products unit costs (inflation adjusted)	(%)	**3**	15
Increase in US$ rolling margins per ton	(%)	**3**	5
Headline earnings per share	(cents)	**25**	27
Economic indicators			
Average Rand/US$ exchange rate		**7,27**	7,32
Share statistics			
Total shares in issue	(million)	**317,1**	316,8
Share price (closing)	(cents)	**849**	878
Market capitalisation	(R billion)	**2,7**	2,8
Financial measures			
Net borrowings to shareholders' equity	(%)	**17**	21
Return on invested equity	(%)	**1,7**	1,8
Net working capital to turnover	(%)	**22**	26
Employee statistics			
Total number of employees		**2 190**	2 420
Employee costs (average per employee)	(R)	**330 402**	301 652
Total cost of employment	(R'000)	**723 581**	729 997
Employee cost to turnover	(%)	**10,4**	12,6

NON-FINANCIAL

Social

- Disappointing safety performance in 2011, despite improvement in TRFCR
- Increase in BBBEE spend to R3,7 billion (2010: R3,0 billion)
- Increase in Enterprise Development spend to R1,4 million (2010: R505 000)

Environmental

- Reduction in energy intensity from 2010 to 2011
- Improvement in carbon emissions 404 420 tCO_2ee (2010: 414 872 tCO_2ee)

Five-year review

	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
FINANCIAL STATISTICS					
Trading results					
Revenue	**6 957 080**	5 808 667	4 499 582	7 119 973	6 568 371
Operating profit before corporate structuring costs	**169 945**	218 233	243 974	465 451	380 036
Corporate structuring costs	**–**	–	–	–	(168 389)
Operating profit	**169 945**	218 233	243 974	465 451	211 647
Net finance costs	**(61 910)**	(116 923)	(113 813)	(118 253)	(85 262)
Share of profits of associates and joint ventures	**1 187**	2 654	383	1 111	216
Profit before tax	**109 222**	103 964	130 544	348 309	126 601
Taxation	**(29 546)**	(30 716)	(40 911)	(79 527)	(89 131)
Non-controlling interests	–	–	–	(610)	3 291
Net profit attributable to shareholders	**79 676**	73 248	89 633	268 172	40 761
Headline earnings attributable to shareholders	**80 121**	74 813	91 599	267 666	39 875
Balance sheet					
Property, plant, equipment, intangibles and investments	**5 003 167**	5 074 879	5 019 615	4 802 890	4 196 933
Retirement benefit asset	**37 615**	73 819	–	–	–
Deferred tax asset	**21 225**	22 102	13 899	11 697	16 373
Current assets	**2 457 088**	2 186 972	1 880 688	2 855 925	2 116 899
Total assets	**7 519 095**	7 357 772	6 914 202	7 670 512	6 330 205
Equity holders' interest	**4 669 625**	4 609 534	3 744 279	3 760 146	3 494 151
Non-controlling interests	**–**	–	–	–	35 142
Borrowings: non-current and current	**828 609**	982 836	1 473 318	1 813 060	920 653
Deferred tax liability	**940 205**	941 260	912 876	926 359	894 203
Retirement benefit obligations	**169 740**	147 909	132 946	119 512	107 505
Current liabilities (excluding current borrowings)	**910 916**	676 233	650 783	1 051 435	878 551
Total equity and liabilities	**7 519 095**	7 357 772	6 914 202	7 670 512	6 330 205
Cash flow					
Net cash inflow/(outflow) from operating activities	**287 074**	(53 732)	724 257	(34 321)	339 896
Net cash outflow from investing activities	**(135 090)**	(228 010)	(351 831)	(753 041)	(403 046)
Net cash (outflow)/inflow from financing activities	**(156 523)**	241 768	(374 187)	761 390	91 770
Net cash (decrease)/increase for the year	**(4 539)**	(39 974)	(1 761)	(25 972)	28 620

		2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
RATIOS AND STATISTICS						
Earnings						
Earnings per share*	(cents)	**25**	26	37	110	17
Headline earnings per share*	(cents)	**25**	27	37	110	16
Dividend per share**	(cents)				41	48
Dividend cover**	(times)				3,02	0,38
Profitability						
Operating margin(1)	(%)	**2,40**	3,80	5,40	6,50	5,80
Return on capital employed(2)	(%)	**2,60**	3,40	3,80	7,70	7,20
Return on equity attributable to shareholders(3)	(%)	**1,70**	1,80	2,40	7,40	1,20
Financial						
Net debt to equity(4)	(%)	**17,30**	20,80	37,60	46,50	23,50
Current ratio(5)		**2,70**	3,23	2,89	2,72	2,41
Liquidity ratio(6)		**1,26**	1,47	1,33	1,46	1,31

Definitions

(1) Operating profit before corporate structuring costs expressed as a percentage of revenue.

(2) Operating profit before corporate structuring costs expressed as a percentage of average capital employed.

(3) Headline earnings expressed as a percentage of average equity.

(4) Current and non-current borrowings less cash divided by total equity.

(5) Current assets divided by current liabilities.

(6) Current assets (excluding inventories) divided by current liabilities.

* EPS and HEPS prior to 2010 have been adjusted for the effects of the rights issue concluded in June 2010.

** No dividends were declared in financial years 2009 to 2011. The 2007 and 2008 dividend cover has been computed using original HEPS, prior to the adjustment for the effects of the rights issue referred to above.

Milestones achieved in 2011

Record sales volume achieved

Highest ever annual recovery/yield

Record volume of can-end sales

Record volume of Rolling Slab produced in Pietermaritzburg facilities

Lowest real unit cost

External recognition obtained in 2011

Winner Productivity SA
KwaZulu-Natal Corporate Sector

Inclusion in the JSE's Socially Responsible Investment (SRI) Index
(one of only seven among small cap companies)

BBBEE Level 3 contributor from level 4 in 2010

Ranked third nationally in
Skills Development Programmes by Empowerdex

Extruded aluminium sections used for automobile components packed and awaiting shipment

The global aluminium industry

ALUMINIUM THE WONDER METAL

February 2011 marked the 125th anniversary of the discovery of the commercial scale production process of aluminium by Charles Martin Hall of the United States and Louis Toussaint Heroult of France. This discovery unleashed a path that would change the course of human history and transformed aluminium from a precious metal to a widely used everyday material.

Aluminium has remarkable physical properties and is:

- Strong and light
- Infinitely recyclable
- Resistant to corrosion
- A good conductor of heat and electricity
- Tough and non-brittle even at low temperatures
- Easily formed and worked, can even be rolled to very thin foil
- Safe for use in contact with a wide range of foodstuffs
- Highly reflective of radiant heat
- Highly elastic (an advantage in structures under shock loads)
- Receptive to coatings
- Visually attractive

As a result of these properties, aluminium is found in a very broad range of products in automotive, transportation, aerospace, packaging and general engineering applications.

The required global focus on sustainability has highlighted the excellent recyclability of aluminium (at 20% of the energy cost of producing aluminium), which has led to 90% of the aluminium used in the transport and building industries being recycled, and the recycling rate of beverage cans exceeding that in some cases.

Rodney Green-Thompson, Area Manager: Coil Coating

Annual production of the global aluminium industry is valued at US$150 billion.

Sources of metal

Inputs for the aluminium semi-fabrication industry originate from two basic sources:

- Primary production (refining bauxite into alumina, which is smelted into aluminium); and
- Recycling (metal recovered from scrap).

Semi-fabrication

Castings

Casting is a process of pouring liquid metal into a mould, allowing it to solidify, and then ejecting it from the mould as a casting. The automotive industry is the largest market for aluminium castings and cast products, making up more than half the aluminium used in cars. Examples include pistons, wheel rims and cylinder heads.

Extrusions

Extruding is the fabrication process whereby aluminium is pressed through a die with the desired cross-section. Extruded aluminium is mostly used in architectural applications. Designers and material specifiers choose aluminium profiles because it is easy to form into complex shapes and the life-cycle value of the product remains high due to aluminium's recyclability.

Rolled products

Aluminium sheet, plate and foil are produced by passing the metal between large steel rolls and together constitute about 70% of total aluminium demand. The largest end-use markets for aluminium comprise the manufacture of beverage and food cans, and aluminium foil for flexible packaging.

Key matters facing the aluminium industry

Energy

The smelting of aluminium requires significant energy consumption. Since the electrolytic process is the only commercially proven method of producing aluminium, the industry continues to improve efficiency in its use of electricity. In the last 50 years, the average amount of electricity needed to make a pound of aluminium has been reduced from 12 kilowatt hours to 7 kilowatt hours.

Environment and climate change

The aluminium industry is also a leader in the preservation of natural resources. Of the total aluminium supplied in 2009, 30% of it was recycled. In some countries, over 90% of all the aluminium beverage cans supplied, are recycled. Almost 90% of automotive aluminium is reclaimed and recycled. Recycling of aluminium saves energy and avoids 95% of the emissions associated with making new aluminium from ore.

Recycling

Recycling is a key pillar of sustainability. Recycling is also a critical component of the aluminium industry, due both to its contribution to minimising the impact on the environment and because of its favourable impact on production. This dual benefit is the likely reason aluminium beverage cans now account for virtually all of the beverage can market and a majority of the total single-serve beverage market in the developed and developing world.

As the use of aluminium has grown, the industry has become a pioneer in the field of recycling, earning worldwide recognition as a leader in materials recovery. Today aluminium is the most commonly recycled post-consumer metal in the world.

Technology
The aluminium industry employs current technology to make the process of refining bauxite and reducing alumina to aluminium more efficient. It also partners with several organisations through a variety of technology projects to reduce energy consumption. The industry has developed a series of vision and technology roadmap documents, which define energy and environmental performance targets, identified technology barriers, and recommended areas of technology that are ripe for precompetitive collaborative efforts among industry, government and academia.

Market trends

Development in global economic conditions, market competition, international politics and societal attitudes, demographic distribution of resources and energy costs impact the aluminium industry. Aluminium producers are adjusting to global markets, e-commerce, energy deregulation, privatisation and new ways of doing business. The industry must continuously look ahead to capitalise on new opportunities presented by innovation.

Industry growth will continue to hinge on successful competition over substitutes. Over many years, experience has shown that the best opportunities for aluminium arise in applications for which the metal offers a range of benefits not provided by other materials.

Automotive and transport
Aluminium has been successful in automotive markets because it provides multiple benefits in improved safety, handling, fuel efficiency and environmental performance. Significant growth in the use of lightweight and corrosion-resistant aluminium alloy components is likely to continue in automotive and other transportation applications. Technologies and legislation such as CAFE (Corporate Average Fuel Economy) that continue to raise emission control requirements and set recycling standards are likely to trigger further increases in aluminium usage.

Applications for aluminium usage are also likely to expand in marine environments. Future generations of fast ferries and cruise ships will increasingly make use of aluminium's combination of strength, corrosion resistance, light weight and end-of-life recycling.

Aerospace and defence
Aerospace and defence markets appear likely to seek high-performance solutions. Aircraft replacement, new defence equipment (including aircraft), and the development of new passenger models will continue to offer long-term growth opportunities for aircraft grade sheet, plate and extruded products. Major aerospace projects, such as satellite launch vehicles and international space stations, are also likely to make greater use of advanced aluminium alloys and aluminium alloy metal-matrix composites.

Packaging
As per capita income grows in developing economies, so opportunities in packaging will continue to expand, while new technologies are also likely to push the boundaries of aluminium consumption in packaging.

Building and construction
There are numerous signs of the growing influences of sustainability issues in building and construction. Education of builders, architects, designers and regulatory bodies on aluminium's low-maintenance requirements, ease of re-use and design flexibility is likely to expand use of the material in roofing, windows and doors in both new construction and older building refurbishments.

Consumer electronics
Manufacturers of consumer electronics are continuing to exploit the benefits of using aluminium in their products due to its recyclability, styling, surface finishes, thermal conductivity and light weight to high strength ratio. In laptops alone, aluminium is projected to grow more that 30% over the next two years as more and more OEMs and designers see that aluminium usage doesn't just make consumer electronics look more attractive, they make them more portable, more sleek and brighter.

The use of aluminium for back-panels on larger LCD TVs has continued to grow. Aluminium properties that drive this are its light weight and high strength for placing directly on a wall and the thermal management benefits (keeping the unit from overheating on the wall).

Handheld devices, phones and other items are also expected to see increased use of aluminium.

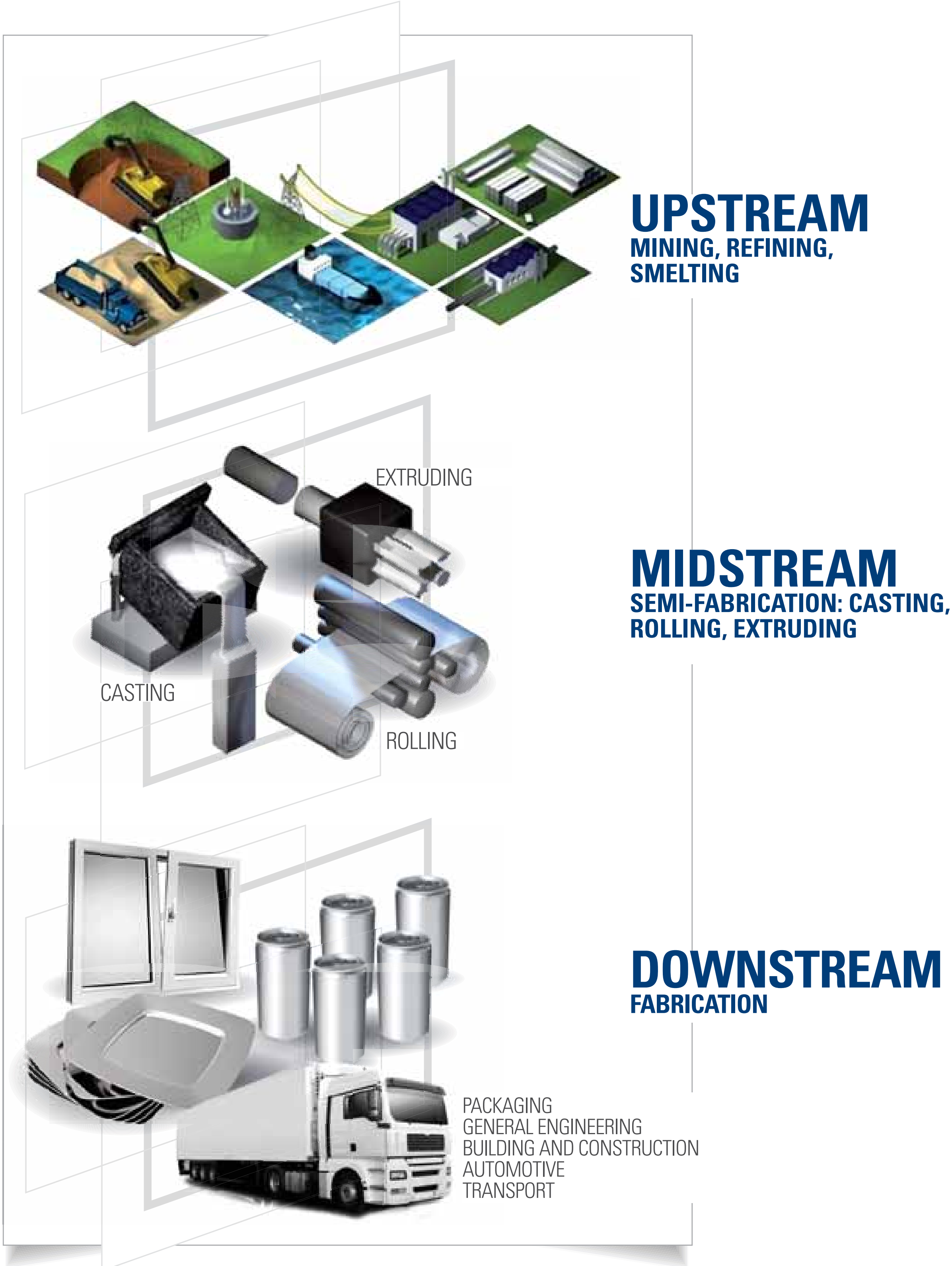
Renewable energy systems
Renewable energy technologies offer a large market opportunity for aluminium. In certain scenarios, renewable energy technologies could trigger an increase in demand of up to 10% for aluminium. In recent years there has been rapid development in commercially viable renewable energy systems to meet the growing demand for the sustainable generation of electricity. Aluminium plays an important role as one of the key materials in a wide range of renewable energy systems, namely solar thermal collectors, wind turbines, photovoltaic systems, solar cookers and concentrating solar thermal power plants.

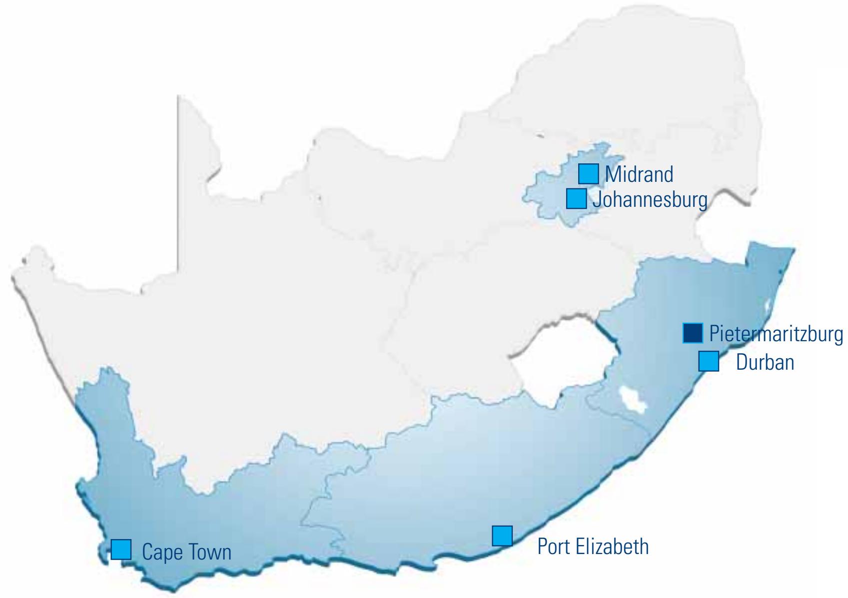
Sbu Mkhize,
Cold Mill Shift Leader

The aluminium value chain

The aluminium value chain is frequently described as having upstream, midstream and downstream sectors. The upstream sector comprises mining, refining and smelting. The midstream sector comprises semi-fabrication which is largely casting, rolling and extruding, and supplies raw materials for the downstream sector, which is made up of fabrication and distribution.

Hulamin is a midstream player in the aluminium value chain. As a midstream player, Hulamin's manufacturing processes are classed as semi-fabrication. Our core activity is rolling and extruding primary aluminium into inputs for fabrication. The Hulamin business model is to use world class installed equipment and technologies to beneficiate large quantities of primary aluminium produced in the region, and to produce high value aluminium products which are shipped to over 60 countries around the globe.





Hulamin is an independent semi-fabricator and fabricator of aluminium products, situated in South Africa. Hulamin is the only major aluminium rolling operation in sub-Saharan Africa and the major local beneficiator of the metal in an industry where much of the primary aluminium metal produced in the region is exported. Hulamin is focused on specific product and end-user markets around the world.

Hulamin supplies customers in South Africa and in over 60 countries on all continents. Hulamin is committed to the growth of the South African aluminium industry and making a meaningful contribution to sustainable development in Southern Africa.

Some facts you may not know about Hulamin

Hulamin was first established in 1940 by Alcan (Aluminium company of Canada).

Hulamin was listed on the Johannesburg Securities Exchange in 2007.

The company buys and sells aluminium at current market prices, therefore its long-term profitability is not significantly affected by changes in aluminium prices. The timing difference between purchasing and selling aluminium, due to the company's inventory holdings, can cause significant fluctuations in short-term profits and some of this exposure is hedged.

Yashiq Samlall,
Foil Rolling Shift Leader

OUR CONTRIBUTION TO THE LOCAL ECONOMY

At Hulamin we create value for stakeholders by meeting our customers' needs for high-value semi-fabricated aluminium products. In so doing, we stimulate economic activity in our region, which is situated in KwaZulu-Natal, by generating an increase in business activity, creating employment and contributing to the upliftment of the local community.

We contribute to the upliftment of manufacturing in South Africa, through our role as both supplier and customer, and through our role as a responsible leader in sustainable development in Southern Africa.

Each of our businesses shares a passion for aluminium – a unique metal with a superior range of benefits and endless application possibilities.

Our operating segments

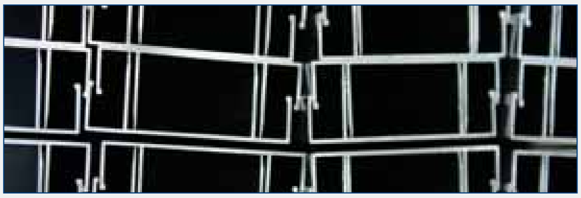
The Hulamin Rolled Products and Hulamin Extrusions business units together represent over 90% of the group's profit, turnover and assets.

Hulamin also operates a number of downstream companies which focus on the South African market.

Hulamin Rolled Products

Hulamin Rolled Products supplies a range of specialised and standard aluminium rolled products to customers in South Africa and in most other regions around the globe, for use in the packaging, transport, automotive, engineering and construction markets.

Hulamin Extrusions



Hulamin Extrusions is a leading supplier of aluminium extrusions to the engineering and architectural markets in Southern Africa.

Hulamin Building Systems (50% with Mazor Limited)

Hulamin Building Systems provides aluminium extrusion-based fenestrations, curtain walling and cladding systems to the architectural market.

Hulamin Containers

Hulamin Containers is South Africa's leading producer of rigid aluminium foil containers for the catering industry and for household use.

Hulamin Roofing Solutions

Hulamin Roofing Solutions is the leading producer of aluminium standing seam roofing and cladding systems in Southern Africa.

Our products, markets and customers

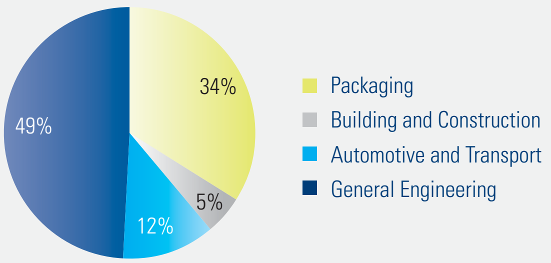
OUR PRODUCTS AND MARKETS

Hulamin's major products include sheets, coils, plates and extruded sections. Depending on the alloy, dimensions, shape and mechanical properties, these products are used in a wide variety of end-use markets, which include transport, automotive, packaging, building and construction, marine, electrical and other general engineering applications.

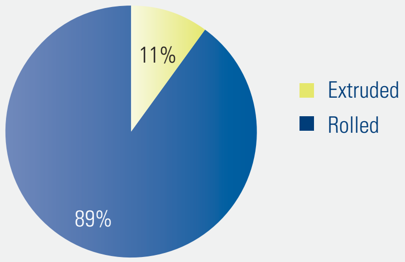
OUR CUSTOMERS

Hulamin's customers are either manufacturers of end-use products or distributors (stockists). Hulamin supplies bespoke products, developed or specified to our end-use customers' unique manufacturing processes. Distributors purchase large quantities of generally standard products and in turn sell to a number of smaller customers (fabricators).

Market segments (tons sold)



Products (sales revenue)



Xoli Ndlovu, Auxiliary Operator;
Zamo Khumalo, Auxiliary Operator;
Herbet Ngcobo, Decoating Shift Leader

PROFILE DESIGN AND DIE MANUFACTURING

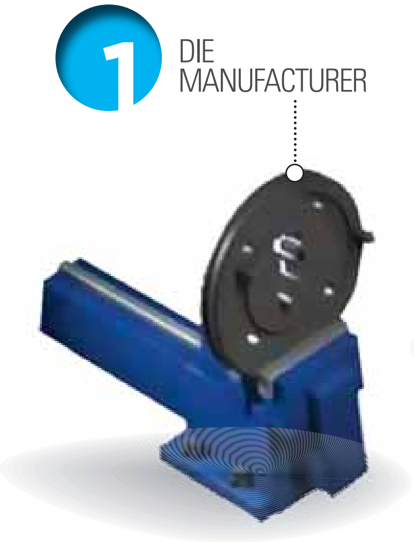
The aluminium extrusion process begins with the design and production of the die required for the profile of the extrusion requested by the customer.

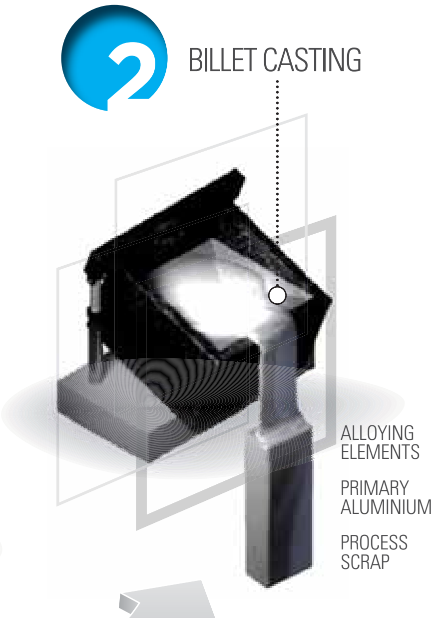
BILLET CASTING

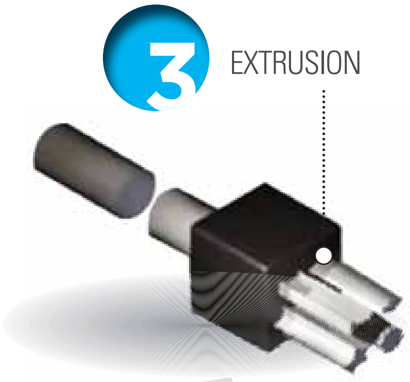
The billet is the starting stock for the extrusion operation. Hulamin buys its billet in a range of alloys and also casts its own from recycled scrap, primary aluminium and alloying elements.

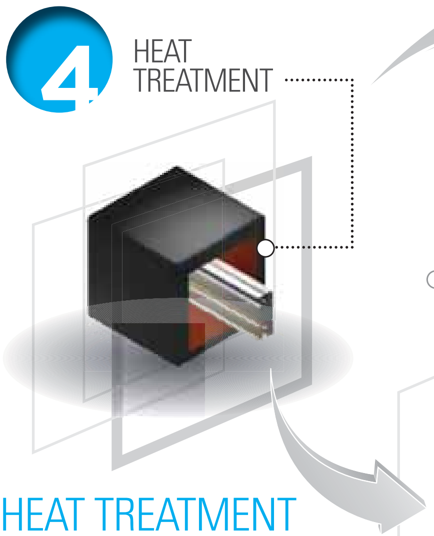
EXTRUSION

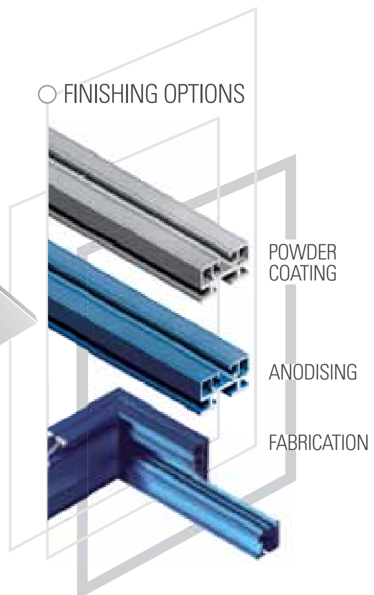
The heated billet is placed into an extrusion press, a powerful hydraulic device in which a ram pushes the softened metal through the die to produce the desired profile. The pressure capacity of the press determines the size of the extrusion it can produce. The completed extrusion is cut off at the die and the remainder of the extruded billet is removed for recycling. The still-hot extrusion is cooled, mechanically treated and aged to give it the required mechanical strength properties. It is also stretched to correct any twisting that may have occurred subsequent to extrusion.











HEAT TREATMENT AND FINISHING

A finish cut saw is used to cut the profile to the specified commercial length. Saw chips and off-cuts of the profiles are collected for recycling. The profiles are further hardened through controlled thermal treatment in an ageing oven and may be coated, anodised and/or fabricated depending on the requirements of the product.

PACKAGING

The finished product is packaged according to customer requirements. Specific types of product may require a particular method of packaging for ease of storage and/or delivery.

REMELTING AND SCRAP RECYCLING

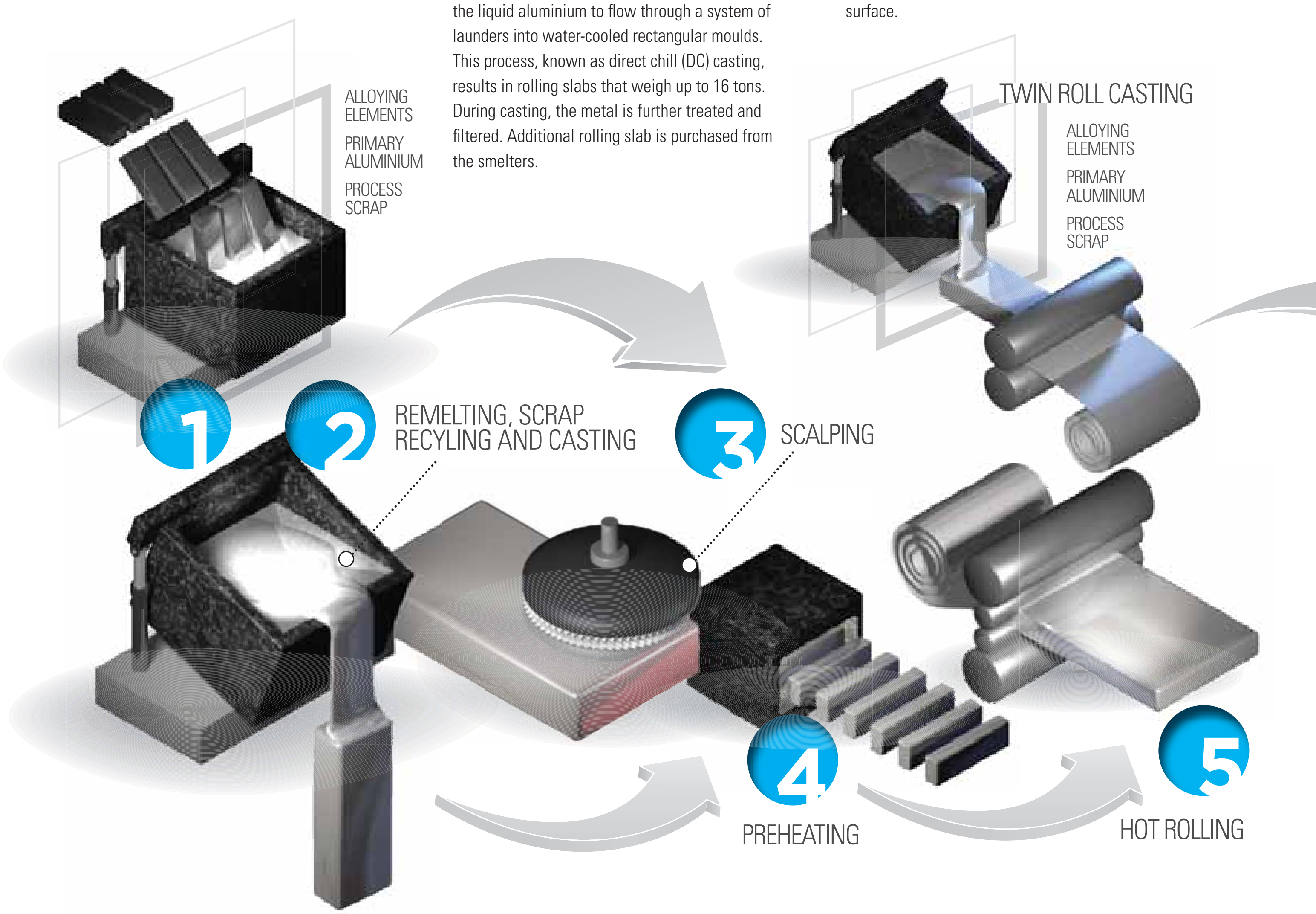
Scrap from the Hulamin manufacturing processes is charged into melting furnaces together with primary aluminium and alloying elements.

CASTING

Molten metal is transferred into holding furnaces, where the liquid metal is treated and impurities allowed to settle out. Molten metal is then filtered, skimmed to remove floating dross and further cleaned. The furnace is thereafter tilted, allowing the liquid aluminium to flow through a system of launders into water-cooled rectangular moulds. This process, known as direct chill (DC) casting, results in rolling slabs that weigh up to 16 tons. During casting, the metal is further treated and filtered. Additional rolling slab is purchased from the smelters.

SCALPING

The surface of a rolling ingot contains oxides and segregated layers formed during the solidification process. This surface layer is detrimental to the product and the rolling slabs are therefore machined in a milling operation to remove this surface.



PREHEATING

Rolling slabs are loaded into gas-fired pre-heating furnaces at between 500°C and 620°C. These are pusher type furnaces where rolling slabs are "pushed" sequentially through the furnace's five heating zones. Automated control systems regulate the temperatures for precise homogenisation.

HOT ROLLING

Rolling slabs are heated and are then processed through the reversing hot roughing mill. This initial hot rolling process reduces the thickness by up to 95% and increases its length up to 24 times. Lead and tail ends of the strip are cropped during this process to ensure uniformity along the length. The strip is then transferred along a roller table to the hot finishing mill to ensure that it is rolled to a tight tolerance intermediate thickness. The temperature of the coil after rolling is 300°C to 360°C. It is then removed from the hot line and cooled to ambient temperature.

TWIN ROLL CASTING

The alternative route to steps 1 through to 5, known as TRC, is a continuous process that produces an aluminium strip directly from molten metal. The combination of a high solidification rate and deformation in a semi-solid state imparts specific characteristics to the resulting material that cannot be achieved through conventional DC casting and hot rolling. These same mechanisms limit the range of alloys that can be produced via the TRC process to the more dilute alloys of the 1xxx, 3xxx and 8xxx series. Typical products produced from TRC reroll stock include foil, closures, finstock, rigid foil containers, general engineering and painted sheet.

COLD ROLLING

Cold rolling is the process where hot rolled coils are rolled to the customer's required thickness.

Cold rolling derives its name from the fact that coils are at ambient temperature when starting the rolling process, unlike hot rolling which requires preheating.

Cold rolling pass schedules are designed by experienced metallurgical and control engineers to achieve the required tight gauge tolerances and mechanical properties.

COLD ROLLING

FINISHING AREAS

ANNEALING

After cold rolling, some products must be softened through reheating known as annealing. This is done to regulate the mechanical properties or to permit further reduction in thickness during cold rolling.

FOIL ROLLING

Foil rolling is a cold rolling process designed for very thin products and certain alloys. Hulamin's stand-alone foil mills can reduce cold rolled products to gauges as low as 6 micros.

PLATE PRODUCTION

Plate products are those that do not require cold rolling and they generally include sheets thicker than 6 mm. Most plate rolled by Hulamin is produced from heat-treatable alloys. Heat treatment imparts strength to the final products and involves heating, water cooling, and artificial hardening. Once the required mechanical properties are achieved, the plates are processed for width, length, flatness and surface finish via automated shears, saws and cut-to-length lines.

COIL COATING

Products may require paint or lacquer for the manufacture of beverage can ends, building and construction products. The aluminium surface is cleaned, dried, and pre-treated. Paint or lacquer is applied using rollers and is thereafter oven cured. The coil coating process is designed to ensure highly consistent quality.

COIL PROCESSING

Many customers require widths, lengths or coil sizes that are not ideal for cold rolling, and further processing is able to achieve the required dimensions. Also, flatness and metal surface cleanliness can be mechanically improved through precision slitters, cut-to-length lines, shears, tension levellers, embossing rolls and degreasing lines.

INSPECTION AND PACKING

Hulamin's inspection process includes a variety of tests performed to verify properties and finish of the material. These are then released for shipment according to applicable international standards. Coils, sheets and plates are then packed for transportation to the customer.

SHIPPING

Coils are transported to local customers, or to the port of Durban where containers are loaded at the harbour. Hulamin exports to more than sixty countries around the world, on all continents.

Applications for our products are numerous and are available for everyday use. They are used in the manufacture of a wide range of packaging, building, construction, transport, automotive and general engineering end-use products through manufacturers, distributors and specifiers in more than 60 countries across the globe.

1 In the general engineering industry, Hulamin supplies material that is used in the making of vacuum chambers for computer chips, distribution boards, assembly plates in keyboards, plasma displays, bus-bars and many more

2 In cars, our products are used in the manufacture of radiators, heat shields, car jacks, extruded suspension components, dashboards and other components

3 Our foil is used in pie dishes, airline food containers and other catering containers, which meet the quality requirements of ISO 22000

4 Due to its payload advantages, aluminium is widely-used in the transport industry, e.g. truck bodies, trailers, tankers, boats and train wagons, together with their components

5 Foil is used in many packaging applications, including peel-off ends, laminated cartons, confectionary packets, etc

6 Our extrusions are used in power stations and general machinery

7 Hulamin has supplied the beverage industry with coated can-end and tab stock for more than 25 years

8 Some of our extruded products are used in airplanes due to aluminium's light-weight properties

9 Our extruded aluminium sections are used in the making of various household frames. These include doors, windows, facades, partitionings furniture, pumps, scaffolding, ladders, fridges, stoves and lights

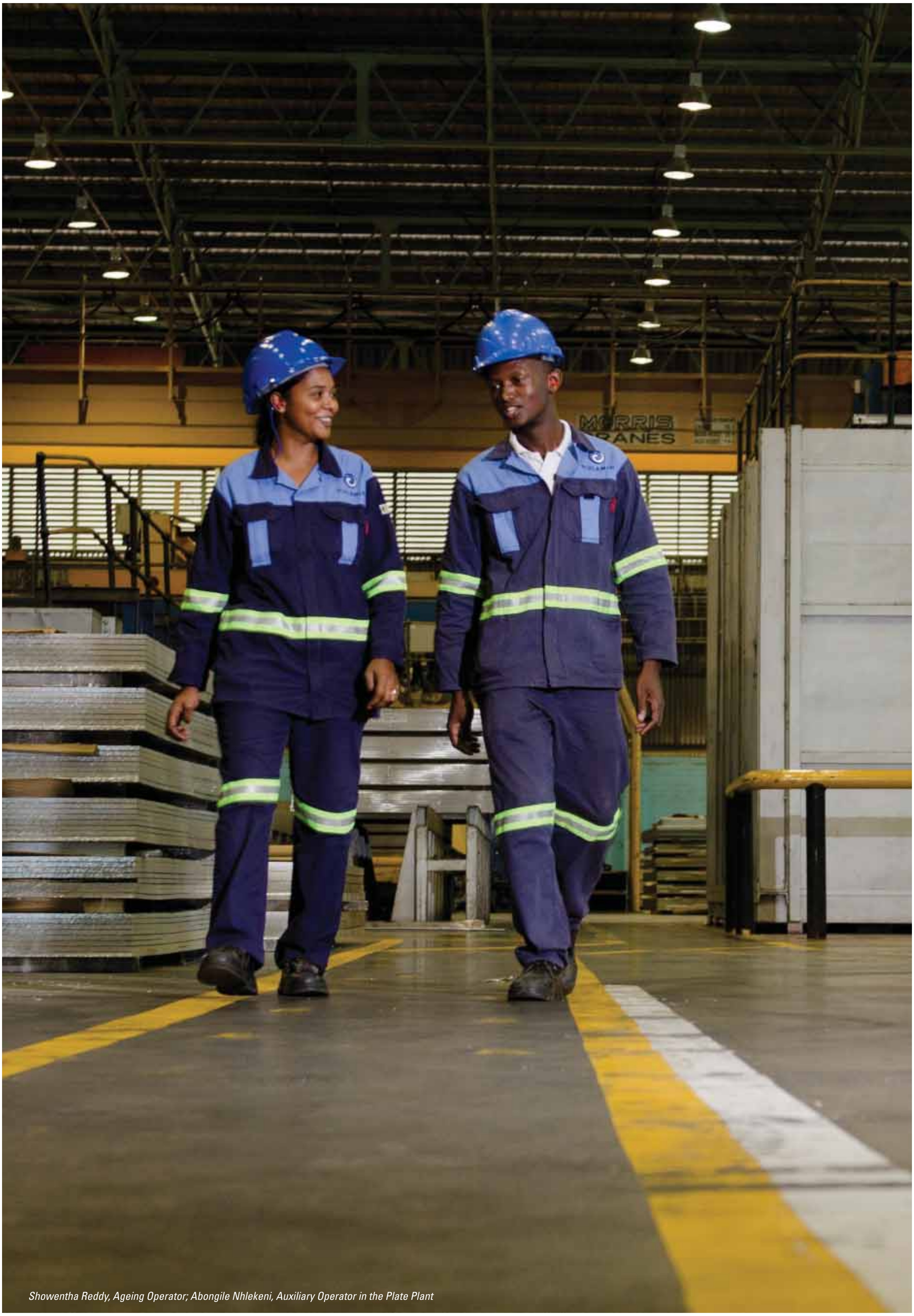
10 Our coated and uncoated building products are used in a wide range of structures in the building and construction industry, including roofs, facades, panels, components, awnings, cladding, gutters and downpipes, ceilings and many more

Hulamin investment case

Hulamin is an independent rolling mill that operates in a highly concentrated industry. This gives the company flexibility to address many customers in many regions.
Hulamin has established capability to produce the more technically demanding products that command higher prices.
Hulamin's cost base is relatively low compared to competitors that are largely in Europe and North America.
Hulamin is exposed to markets where there is growing demand and applications for aluminium.

Key drivers of Hulamin's performance

The proportion of high value products in the mix
The US Dollar conversion margin over the base aluminium price
Hulamin is a largely fixed cost business (60% to 70%), and thus sales volumes have a significant impact on profit, since unit costs reduce with higher volumes
Reliability of local infrastructure is key, as disruptions in recent years have had serious impact on Hulamin's manufacturing performance. Examples are LPG, electricity and logistics
As an exporter the level of the Rand/US Dollar rate of exchange determines: – revenue – cost competitiveness A movement of R1 versus the US Dollar has a profit impact of R200 million to R220 million

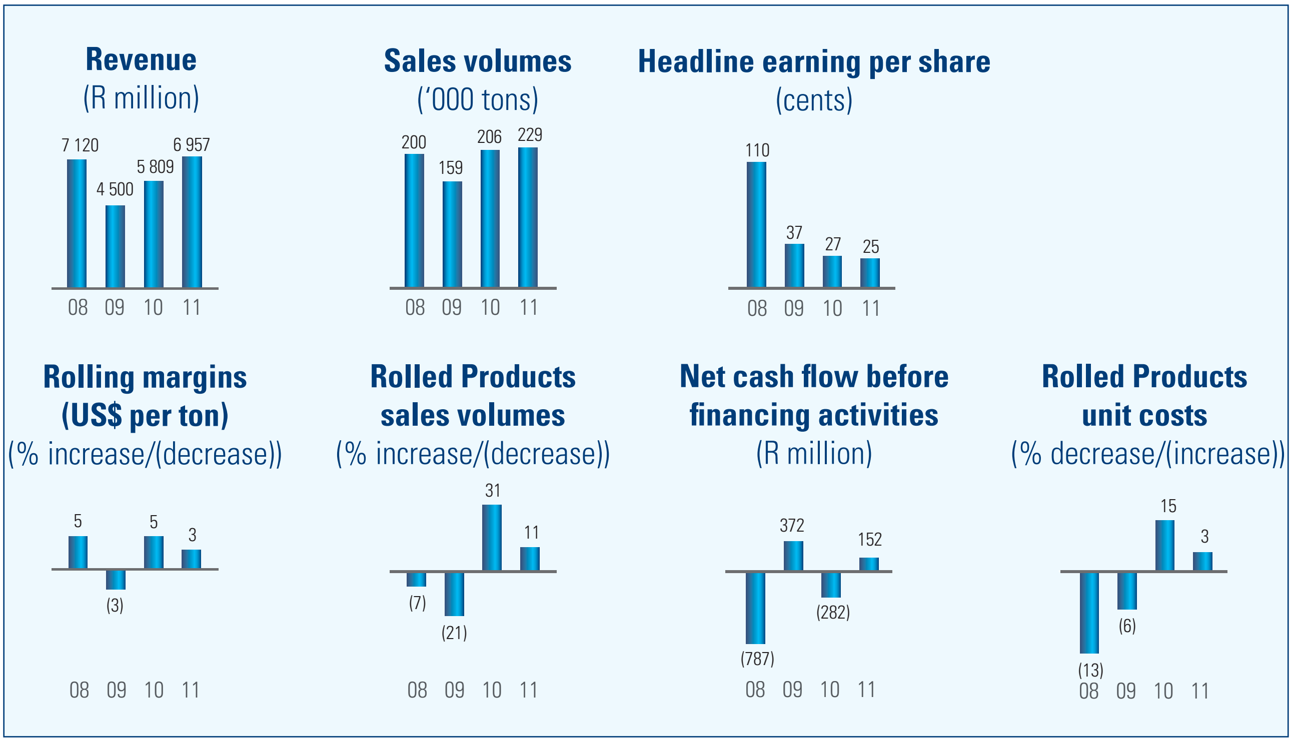


Showentha Reddy, Ageing Operator; Abongile Nhlekeni, Auxiliary Operator in the Plate Plant

Key performance indicators

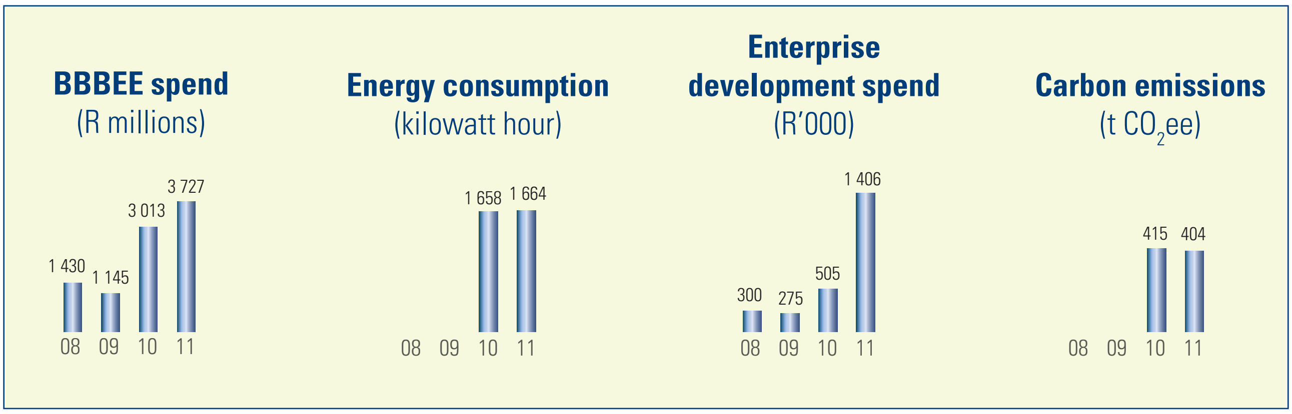
Financial

		2011	2010	2009	2008
Revenue	(R million)	**6 957**	5 809	4 500	7 120
Sales volumes	('000 tons)	**229**	206	159	200
Increase/(decrease) in Rolled Products sales volumes	(%)	**11**	31	(21)	(7)
Decrease/(increase) in Rolled Products unit costs (inflation adjusted)	(%)	**3**	15	(6)	(13)
Increase/(decrease) in US$ rolling margins per ton	(%)	**3**	5	(3)	5
Headline earnings per share	(cents)	**25**	27	37	110
Net cash flow before financing activities	(R million)	**152**	(282)	372	(787)



Non-financial

		2011	2010	2009	2008
Safety (LTIFR)	(%)	**0,53**[LA]	0,33[LA]	0,31	0,35
BBBEE spend	(R'000)	**3 727 539**[LA]	3 012 594[LA]	1 144 748	1 430 043
Direct energy consumption	(GJ)	**1 663 657**	1 658 371		
Enterprise development spend	(Rands)	**1 405 951**[LA]	505 000[LA]	275 000	300 000
Carbon emissions	(t CO_2ee)	**404 420**[LA]	414 872[LA]		



LA Limited assurance provided by independent assurance provider (refer page 39)

Several factors in the external environment have impacted Hulamin during 2011. Input costs such as energy, labour and logistics costs, continued to drive inflation, while the exchange rate has provided no relief in raising Rand margins earned. Problems with the supply of liquified petroleum gas (LPG), impacted negatively on production and sales.

The International Trade Administration Commission (ITAC), a South African trade regulatory authority, declined Hulamin's application for a reinstatement of import duties on rolled products, while a duty of 5% was granted on imports of extrusions.

Domestic market

Rolled Products

Market conditions were encouraging in the first half of 2011 and deteriorated sharply in the second half due to lower levels of economic activity, restricting the increase in 2011 sales volumes to 11% over 2010. Can stock sales grew strongly due to underlying demand while automotive, foil, building and construction markets remained steady. The general engineering market continued to be under pressure from cheap aluminium imports in both semi-fabricated and finished products, with the cookware market being the most affected. This shrinkage was largely a result of no duty protection and a strengthening Rand. As a consequence, Hulamin took a decision to exit the supply of circles (aluminium disks which are a starter stock for pots and pans).

Extrusions

The building and construction market remained subdued for the period and this impacted primarily on the sales of extrusions and painted sheet.

Automotive and transportation markets were stronger and Hulamin benefited from supply contracts with a variety of automotive component manufacturers.

The extrusion general engineering markets remained depressed. Although a number of large projects, such as the construction of the Eskom power stations, were in progress in 2011, the demand for extruded products on these projects was not significant.

Export market

There have been diverse market conditions across the export regions for rolled products where Hulamin is active. In North America, the market conditions have been encouraging, with underlying demand for Hulamin products remaining solid, while prices held up well.

In Europe, the converse was true and, after a robust start to the year, market conditions deteriorated rapidly during the course of the year. Demand slowed markedly, with many suppliers chasing demand, and the net outcome was falling prices.

In other regions, notably Brazil, Asia and the Middle East, activity in the packaging sectors, specifically for beverage cans, has been steady.

Manufacturing

Production (Rolled Products)

Increased activity was experienced throughout the year except for a few months where disruptions occurred as a result of LPG shortages. A record monthly annualised production of 228 000 was achieved in April, whilst the full year production was 211 000 tons.

Costs

Manufacturing costs continued to be impacted upon by greater than inflation increases especially in the areas of labour, packaging, electricity and LPG. Also, as a result of problems with the supply of LPG from South African producers, Hulamin incurred additional costs for imports.

Business objectives

BUSINESS OBJECTIVE	ACHIEVEMENT IN 2011
Achieve a return that exceeds the cost of capital	ROCE reduced from 3,4% in 2010 to 2,6% in 2011
Grow Rolled Products sales volumes	Sales grew by 11%
Enhance product mix	Rolled Products mix of high value products declined from 65% in 2010 to 62% in 2011
Maintain a competitive cost structure	Real costs decreased by 3%
Grow the local market	Local sales declined as a result of cheap imports

Strategic priorities for 2012

- Continue focus on safety performance
- Continue on the path of manufacturing excellence
- Reduce our investment in working capital
- Grow Rolled Products sales volumes
- Improve the mix of our high value products
- Continue to improve our sustainability programmes

Risk management framework

All companies share the common objective of creating value for their stakeholders. However, as all companies also face numerous uncertainties, the challenge for management is to determine how much uncertainty to accept as it strives to grow shareholder value. Uncertainty presents both risk and opportunity, with the potential to erode or enhance value. Enterprise risk management (ERM) enables management to effectively deal with uncertainty and the associated risks and opportunities, thereby enhancing its capacity to build value.

Hulamin's Risk Management Framework provides guidance to implement a consistent, efficient, and economical approach to identify, evaluate and respond to key risks that may impact Hulamin's objectives. Hulamin's framework is based on the Enterprise Risk Management Framework published by the Committee for Sponsoring Organisations (COSO) of the Treadway Commission.

Risk Management Committee

The Risk Management Committee is an executive management committee of Hulamin Limited and is answerable to the board of directors via the Audit and Risk Committee. Its objectives are to:

- Ensure the company has implemented an effective framework (including policy and strategy) and plan for risk management that will enhance the company's ability to achieve its strategic objectives;
- Provide monitoring and oversight of the risk management process; and
- Facilitate communication between executive management and the board, Audit and Risk Committee and other parties engaged in risk management activities to ensure these are comprehensive, timely and relevant.

The committee does not relieve the directors of any of their responsibilities but assists them to fulfil those responsibilities. The full board is therefore entitled to review any decisions taken by the committee and is responsible for the governance of risk and to provide the necessary support to management to enable it to execute its duties and responsibilities as outlined in the risk policy and plan.

Components of the Hulamin risk management process

STRATEGY AND GOAL SETTING				
Event identification	Risk assessment	Risk response	Risk reporting	Communication and training
Monitoring				

Our top risks

KEY RISK	CONTROL IN PLACE	MITIGATION PLAN
Security of slab supply beyond 2012	• Continued engagement with BHP Billiton and other key stakeholders	• Implementation of Line 3 slab capacity expansion
Continued disruptions to supply of LPG	• Have close contact with refinery in planning shuts • Alternative supplies of LPG are available, although at a price	• Continue to develop alternative sources of LPG • Continue to improve communication with current suppliers • Develop alternative long-term energy gas supply strategy
Long-term Rand overvaluation	Ensure we are competitive through driving: • Most profitable production mix • Maximise sales volumes • Continue to reduce cost and improve efficiency • Building world class capability	• Vigorously pursue the existing strategies to become world class in all key activities • Grow local market users of our product
Electricity supply disruptions	• Ability to accommodate peak power demand reductions • Have submitted efficiency gain application which should enable us to comply with 10% reduction requirement • Have applied for sufficient capacity to support volume growth	• Action plans are being developed to reduce capacity by 10% • Have applied for efficiency gains relief and additional supply for expansion

Stakeholder engagement

Our core purpose is to consistently meet or exceed the reasonable expectations of our major stakeholders (which specifically include our employees, customers, suppliers, shareholders, and the communities that surround us).

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

In 2011 we continued to interact with our stakeholders on a regular basis.

STAKEHOLDER CATEGORY	MEANS OF ENGAGEMENT	WHY IT IS IMPORTANT TO US	EXPECTATIONS OF OUR STAKEHOLDERS	CONCERNS OF OUR STAKEHOLDERS
Employees	• Regular letters from the Chief Executive • Weekly shop floor walkabouts by all members of the executive team • Internal newsletters • Communication boards • Employee relations meetings • Meetings with internal trade union representatives • Shop floor briefings • Interim and full year financial performance updates	Key actuator in business turnaround	Provision of gainful and safe employment	• Employment security • Safe working environment • Competitive remuneration and benefits packages • Workforce transformation • Access to health support and wellness programmes, especially for HIV/AIDS • Participation and empowerment • Information and communication
Government (local, provincial, national) and regulatory authorities	• Personal meetings • Written correspondence • Through industry organisations such as BUSA, AFSA and Manufacturing Circle	Licences us to operate and provides a clear and supportive regulatory environment	Continual and responsible contribution to regional economic development	• Job retention and creation • Transformation and empowerment • Energy consumption reductions • Safer workplaces • Healthy competition amongst businesses
Shareholders and investment community	• Roadshows • Regular presentation • Interim and annual reports • Media releases • Published results	Provides financial capital required to sustain growth	Returns on investment and sustainable growth	• Sustainable returns • Competitive currency • Supportive regulatory and business environment • Future growth for the business
Business organisations	• Participation in meetings • Affiliations	To influence and drive agendas that support our business. Also to network for expertise and experience	United business voice	Workforce transformation
Customers	• Meetings and site visits • Business association meetings • Contract negotiations	To sustain growth	Reliable service, good quality products and competitive prices	• Long-term security of supply • Consistent quality of products • Improved manufacturing capability and product range
Suppliers and service providers	• Meetings and site visits • Performance audits and reports • Contract negotiations	Safe, good quality and good value products and reliable services that support our growth	Continued growth and relationships	• Long-term supply contracts • Efficient payment cycles
Communities and NGOs	• Public and personal meetings • Community outreach forums • Corporate social investment initiatives	Building and nurturing existing relationships, and creating a conduit to better understand community needs and interests	Responsible contribution to community interests and needs	• Support for key community developments and activities • Sponsorships and donations • Employment opportunities • Support for environmental initiatives
Media	• Media releases • Interviews by media	Creating and sustaining awareness about Hulamin, its business and strategic direction	Responsible corporate citizenry	• Non-compliance with legislation • Growth opportunities

SUMMARY OF KEY ENGAGEMENTS WITH STAKEHOLDERS IN THE YEAR			
ISSUE	**RELEVANCE**	**OUTCOME**	**FURTHER ACTION**
Import duty increase request for Rolled Products	Protect South African Customs Union (SACU) market from cheap imports	ITAC declined tariff increase request	Act governing ITAC provides for no appeal. A new request can only be lodged after twelve months of last application
Rolling slab supply	Security of supply	BHP Billiton extended supply by another year	Discussions continue between Hulamin and BHP Billiton and other stakeholders
Wage negotiations	Workplace peace and stability	Settled in line with main agreement	A three-year deal was agreed
LPG	Security of supply. Hulamin is probably the single biggest user of LPG in South Africa	Still experienced supply disruptions	Further engagements to eliminate disruptions in supply
Electricity	Continued above inflation increases harming business	Unresolved	Continue supporting a united business voice
Customers (European Union economic uncertainty)	Uncertain market demand	Uncertainty continues	Continue reviewing geographical sales mix


Coils in the Foil Rolling area

Chairman's statement

Mafika Edmund Mkwanazi

Dear Stakeholders

South Africa remains a challenging manufacturing base from which to compete on the global stage. The Rand is a particularly volatile currency and the country faces serious cost and infrastructure threats. Both the level and volatility of the Rand exchange rate against traditional "hard" currencies impacts on the competitiveness of South Africa and cost and risk profiles. The strength of the Rand during the first nine months of 2011, as well as high input costs, specifically energy, employment and logistics, as well as uncertainty of supply of the same key inputs, impacts negatively on Hulamin and other manufacturers alike.

It is therefore pleasing that in the midst of these challenges, Hulamin continued its improvement trajectory started in 2009 and produced a pleasing set of operating results, while at the same time laying the foundations for future improvements in both operating and financial performance.

Corporate governance

The directors of Hulamin are fully committed to maintaining exemplary standards of corporate governance and recognise that this is integral to our success. We hold dear the principles of engaging with integrity, transparency, responsibility, fairness and accountability with all stakeholders.

A key development in this regard in 2011 has been the transition from previous annual reports to an integrated annual report. This upgraded format brings Hulamin in line with global disclosure trends, promoting disclosure of information for improved assessment and evaluation of economic value.

Performance and value delivery

In uncertain market conditions, Hulamin produced a promising set of results in 2011. Unlocking value for all stakeholders remains a key focus, and has at its base, operational performance to meet or exceed the requirements of the investments in the business over the past decade.

It is therefore pleasing to report sales growth momentum to 208 000 tons (in Hulamin Rolled Products) and continued control of costs. This promising operational performance, together with key external factors such as the exchange rate and markets returning to long-term trends, will ensure that Hulamin delivers value for all.

Sustainability

Hulamin remains committed to sustainable growth and prosperity, recognising the interconnectedness of both. Therefore, maintaining good relationships with all stakeholders, which includes government, the communities we operate in, capital providers and employees remain top priorities. We have made good progress in improving our carbon footprint monitoring, recording and reporting amongst a range of other sustainability performance improvement. It is also pleasing to note that external reporting institutions have taken note of this progress. Hulamin is one of only seven small cap companies to be included in the JSE Socially Responsible Investment (SRI) Index. Sustainability is covered extensively on pages 36 to 57 of this report.

Availability of rolling slab and extrusion billet

Long-term security of local supply of both rolling slab and extrusion billet remain uncertain. Hulamin has continued to engage with BHP Billiton and other stakeholders in order to mitigate long-term supply risk of rolling slab and extrusion billet, and to participate fully in the development of solutions for the benefit of the South African aluminium industry.

Appointments

In October 2011, in its quest to broaden its experience base and expertise and capacity, the Hulamin board appointed Gerrit Pretorius and Geoff Watson as independent non-executive directors. They bring a wealth of manufacturing expertise in South Africa and in the global aluminium industry.

Conclusion

Hulamin's improved operating performance in 2011 demonstrates that it is on the path to fully exploiting the increased capacity and opportunities provided by investments in recent years. I would like to thank the Hulamin board, the executive and employees for their commitment to Hulamin's performance in the past year and look forward to continued market recovery and improved manufacturing performance and resulting benefits for all stakeholders.

Mafika Edmund Mkwanazi

Independent Non-executive Chairman


Coils in the Twin Roll Casting area waiting to be collected for cold rolling


Richard Jacob

Dear Stakeholders

International market conditions

From the outset of 2011, international markets appeared to be on a solid improvement trend. Europe started particularly strongly, and Hulamin Rolled Products recorded some of the best margins in Europe in some years. In Hulamin's other major international market, the United States, the year also started with demand steady and margins continuing their improvement trend from late 2010. Hulamin's competitors generally reported solid first half results, with the emerging markets particularly consuming increasing volumes, which laid the demand base.

In late April and May, Hulamin noted a fall-off in European demand; this weakening continued until mid-August, when the Euro sovereign debt crisis began to impact severely. Demand for aluminium rolled products dried up in many of Europe's major markets, including the United Kingdom, Italy and Spain. Germany, which had been the driver of economic growth in the European Union, began to weaken and many of Hulamin's customers adopted strategies to reduce stocks in the face of a mounting credit and confidence crisis, which continued into December.

In the USA, the economic impact of the crisis in Europe did not measurably affect the aluminium market. Although demand slowed into the second quarter, it picked up again through August and September, and remained solid to year-end. As a result, the United States consumed a larger proportion of Hulamin sales than in recent years. Sales to emerging markets followed recent trends, with Brazil, China and India continuing to increase their contributions to Hulamin's overall export sales.

Markets for Hulamin's preferred, high value products, including foil, can stock, brazing sheet and heat treated plate products, also continued their recent trends of consistent, if unspectacular, growth. This was also reflected in the margin improvement recorded.

South African demand for aluminium products

Hulamin supplies most manufacturers and fabricators of aluminium products in South Africa, and is thus well exposed to the prevailing manufacturing climate. In almost all cases, consolidation rather than growth characterises our customers and their prospects. The reasons are well known; costs rising faster than inflation, fragile infrastructure, exchange rate volatility, rapid growth in imports and weak local demand.

Hulamin Extrusions increased its sales volumes by 12%, largely as a result of the demise of AGI late in 2010, while Hulamin Rolled Products' local sales were unchanged from 2010. These results typify the uncertain local economy and the rising threat of imports to local manufacturers and the threat of de-industrialisation of the economy. Hulamin remains committed to working with all stakeholders, alone and through the Manufacturing Circle, to develop strategies to ensure the long-term survival of manufacturing in South Africa.

Challenging manufacturing conditions

Hulamin competes with producers of aluminium rolled and extruded products from around the globe. In international markets and in South Africa, Hulamin has to provide its customers with the price, quality, service and lead times prevailing in the market so that they in turn can supply competitive products to their customers.

Imports of competing products into South Africa grew sharply in 2011, both as a result of the particularly strong Rand, and due to the loss and reduction of duty protection on aluminium products. Many competing countries, particularly the BRIC nations, have different trade policies to South Africa, resulting in a playing field that is unbalanced by rebates, subsidies and incentives, while the South African cost base, particularly employment and energy costs, threatens to become uncontrolled.

If we are to protect and grow our manufacturing economy in South Africa, specifically to defend and grow employment, we all have to improve competitiveness. Individual players like Hulamin are learning to outperform other global players, by improving efficiencies and innovating our customer offerings. At the same time, government and other parastatals must deliver a platform of reliable, cost effective inputs, including electricity and energy, logistics, education and particularly trade policy.

In times of slow growth, as experienced in 2011, competition intensifies and cost pressures are magnified. Hulamin experienced precisely this effect throughout 2011. In the automotive, building and construction, transport and packaging sectors, selling prices came under increasing pressure, both from competition and from the strong Rand, while cost pressures continued to escalate. With electricity increasing by 25% per year and employment inflation in the range of 7,5% to 9%, a margin squeeze is underway.

Gas and electricity supply

Hulamin, like all manufacturers based in South Africa, faces significant challenges in sourcing its required inputs. Both rising costs and increasingly uncertain supply work against cost competitiveness. Electricity and liquified petroleum gas (LPG) are Hulamin's key energy requirements. Electricity supply in the immediate future is threatened, and the magnitude of price increases is particularly concerning.

Hulamin has long-term agreements in place for the supply of LPG that are indexed to both the exchange rate and to international gap prices. Our benchmarks indicate that LPG prices in South Africa are currently not globally competitive. Of even greater concern is the reliability of supply. During 2011, the supply of LPG posed significant problems for Hulamin.

The SAPREF refinery in Durban, Hulamin's primary source of LPG, performed particularly poorly, both as a result of industrial action in June and July, followed by a seven-week planned maintenance shutdown in August to October. Hulamin faced further supply problems as this was followed by an additional five-week unplanned, *force majeure* extension to the supply interruption, as a result of start-up difficulties and other delays. The unplanned nature of this final delay posed the most significant problems, and Hulamin is particularly grateful to Easigas for their support in securing the supply of additional imported gas, albeit at a significant premium. Hulamin is actively investigating energy supply risk mitigation strategies.

Hulamin operational performance in 2011

Sales reached a record volume in 2011 at 229 000 tons, which included sales of 208 000 tons by Hulamin Rolled Products, an increase of 11% over 2010, and the first time annual sales have exceeded 200 000 tons.

Rolled Products unit manufacturing costs increased in nominal terms by 2% and reduced by 3% in real terms, despite an increase of 27% in total expenditure on energy, driven by unit cost and consumption increases. Yields improved by 3% to a new record level and the ex-works margin earned per ton improved by 3,5%. In 2011, Hulamin was again able to fully sell its available rolled products capacity, albeit the mix was sub-optimum (and poorer than in 2010), as a result of weak market conditions in Europe and in some end-use markets, and which caused a switch to more standard product business.

In mid-2009, Hulamin embarked on an extensive manufacturing excellence programme, known internally as the Integrated Manufacturing Approach or IMA. The plan was, and still is, to drive the efficiency and cost improvements required to ensure that Hulamin creates value for stakeholders in all economic conditions. The key indicators for this programme include maximising sales volumes, reducing unit costs, improving yields and improving margins (through mix enhancement).

Most machine centres performed well, with the Camps Drift Hotline showing particular promise. Opportunities continue to exist in Hulamin Rolled Products to fully exploit internal casting and foil production capacity, and we have deployed key resources and lean manufacturing methodologies in these areas to this end.

Hulamin Extrusions embarked on a programme to consolidate its operations, which resulted in the closure of its Cape Town manufacturing plant and the relocation of assets and production to Midrand. This rationalisation was completed in September and has resulted in a simpler, more cost effective operation. Record production levels were achieved in November.

Hulamin Containers continued to perform well, growing its sales and contributing well above its size to profit and cash flow. Hulamin Roofing Solutions grew its sales and has become a major force in the roofing and cladding market, in spite of the continued weak conditions in the building and construction sector, excess capacity in the roofing industry and the competition from cheap imports. It remains well placed to benefit from a return to historically normal market conditions.

Profit and cash flow performance in 2011

Turnover improved by 20% to R6,96 billion in 2011 due to an 11% increase in volumes, with both Hulamin Rolled Products and Hulamin Extrusions contributing to this.

Hulamin retained its 50% hedge against movements in the US Dollar value of its metal inventories. The London Metal Exchange (LME) aluminium price fell from US$2 456 at the end of 2010 to US$1 971 at the end of 2011, resulting in a negative R80 million turnaround in metal revaluation compared to 2010. This resulted in operating profit after this metal price lag effect declining by 22% to R170 million.

Operating profit before the metal price lag effect improved by 19% to R204 million.

Interest paid reduced by R55 million as a result of lower borrowings, resulting in attributable earnings rising by 8% to R80 million. The number of shares in issue increased as a result of the 2010 rights offer, resulting in headline earnings per share declining by 7% to 25 cents per share.

The working capital demanded by the rise in activity levels was neutralised by the lower aluminium value, while capital expenditure declined by R41 million. Cash flow for the year improved to R152 million from a negative R282 million in 2010.

Positioning Hulamin for the future

The Hulamin team has identified opportunities to reposition the company in the years to come, at the same time mitigating a number of risks that could undermine its growth potential.

In order to thrive in all economic conditions, Hulamin faces a cost competitiveness and efficiency imperative. Our manufacturing excellence programme remains on schedule and is delivering value. At the same time, we have paid particular attention to our procurement strategies, which have also delivered considerable improvement, particularly in logistics. We have also reduced our headcount to levels last seen in 2003/4, while at the same time growing volumes to record levels. The process of improvement is a culture change we are instilling in all we do at Hulamin.

Hulamin is particularly exposed to global markets through the majority of its sales being exported. This is likely to grow through 2014 as a result of the additional capacity coming on stream, which could raise its export exposure to close to 80% of sales. Growing local sales has been a pillar of Hulamin's strategy for some years, due to the inherent strategic advantage Hulamin has compared to importers into the country. Having unlocked substantial sales into the local automotive component industry, the next major opportunity is for beverage cans. South Africa remains one of few countries world-wide to use steel-bodied cans. Hulamin has the equipment capability to produce world class aluminium body stock and has spent considerable effort in 2011 working with other stakeholders in the industry to promote the advantages of aluminium cans. Should these efforts be successful, this will rebalance Hulamin's local:export mix and mitigate some of the risks inherent in its current mix.

The local supply of rolling slab and extrusion billet is both an opportunity and a threat to Hulamin. In 2009, BHP Billiton terminated the production of extrusion billet at its Bayside operation and contemplated the exit of slab supply as well. Supply of slab continues, albeit on short-term contracts. Hulamin has remained engaged with BHP Billiton and other stakeholders since 2009 in an effort to find a long-term, competitive solution for raw material supply for both Hulamin and the entire local aluminium industry.

Hulamin carries significant working capital exposure to both the Rand/US Dollar and the US Dollar aluminium price through its stocks and debtors. A sharp rise in either the US Dollar aluminium price and/or a sharp weakening of the Rand would have the effect of raising the Rand value of Hulamin's working capital and thus place pressure on Hulamin's balance sheet. Alternative funding structures that would accommodate this volatility in working capital have been developed with a number of funders, and it is likely that the process of restructuring Hulamin's loan facilities will be completed in 2012.

Prospects for 2012 and beyond

The Hulamin team is on track in its process of improving efficiency and cost competitiveness, and in reaching full capacity utilisation by the end of 2014. This has involved a comprehensive turnaround strategy as well as increased urgency in programmes already underway. As with any business, a limited number of variables have a disproportionate influence on our performance. We are addressing with passion those that are under our control; these include operational and particularly cost performance, local market development and rolling slab supply.

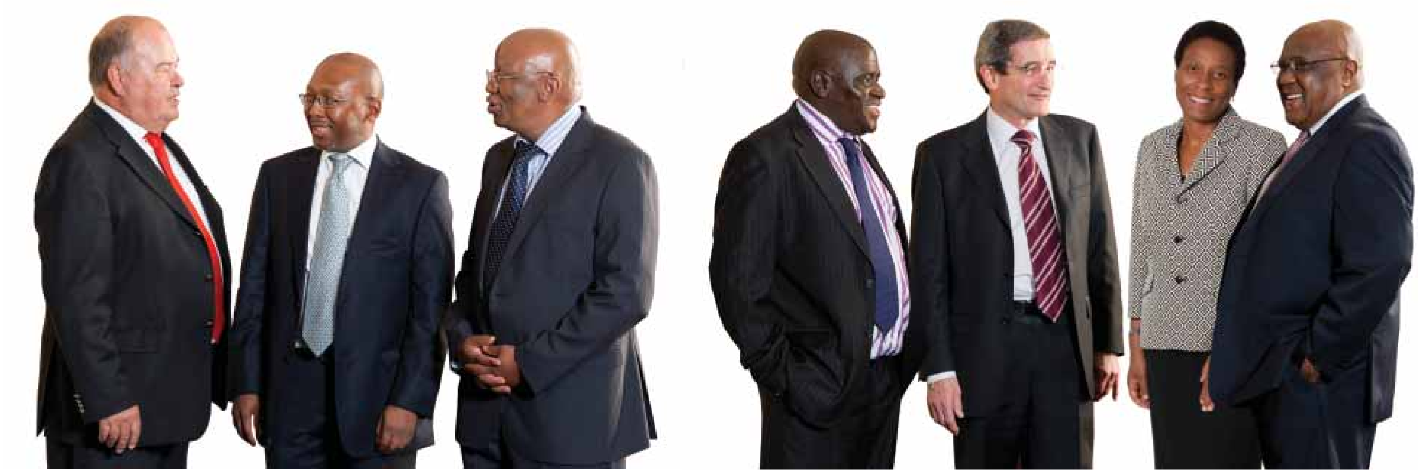
In Hulamin's case, due to our large proportion of exports, the value of the Rand against the major global currencies has a major impact on profitability. The weakening of the Rand in the second half of 2011 provided welcome respite to the margin squeeze resulting from rising local costs and the strong Rand between July 2010 and August 2011. Any reversal in the trend since September 2011 is likely to negatively impact the prospects that have improved as a result of this realignment of the Rand to historical purchase power parity levels.

Market conditions deteriorated through 2011, resulting in a softening in the mix of high value products. We are focused on reversing this trend in 2012, provided the recent improved sentiment remains and customers revert to historical buying patterns.

Overall, we are focused on implementing strategies to improve business performance in the short and long term, and look forward to performance improvements throughout 2012.

Richard Jacob
Chief Executive Officer

Those who govern us



1 2 3 4 5 6 7

1	**Gerrit Pretorius (62)** *Independent non-executive director* BSc University of Stellenbosch BEng University of Stellenbosch LLB University of South Africa PMD Harvard	After graduating from Stellenbosch University, Gerrit joined Fuchs Electronics (Pty) Limited in 1973 as a development engineer. Following the acquisition of the Fuchs Group of companies by Barlows in the late 70's, he became part of the then Barlow Rand Group. Reunert Limited, from where he retired after 37 years in 2010, was unbundled from Barlows. In the years 1973 to 1983 he held various executive positions in research and development, production and marketing at Fuchs Electronics. He was first appointed as managing director of ESD (Pty) Limited in 1983 whereafter he assumed responsibility for all of Reunert's defence businesses in 1988. He joined the Reunert Limited Board in 1991 and devoted the next few years to restructuring and managing Reunert's telecommunications businesses. As such he established joint ventures with Siemens and GEC. In 1997 he was appointed CEO of Reunert Limited. In August 2010 he retired after 37 years experience. He was appointed to the Hulamin board with effect from 1 August 2011.
2	**Thabo Patrick Leeuw (48)** *Independent non-executive director* Chairman of the Audit and Risk Committee Executive director: Thesele Group BCom (Accounting); BCompt (Hons) Management Advancement Programme	Thabo is the executive director and founder shareholder of Thesele. He served articles at Deloitte & Touche, and has held financial management positions in Afric Oil (a subsidiary of Worldwide Africa Investment Holdings), Oceana Fishing, National Sorghum Breweries and Old Mutual Employee Benefits. He joined Cazenove SA in 1998 as a research analyst, in 2002 he became a director of Cazenove SA and in 2004 became a director of Cazenove Group Plc. He is also the chairman of ICAS Southern Africa (Pty) Limited and a non-executive director of Prudential Portfolio Managers SA and a member of the Eskom Pension and Provident Fund's Strategic Investment Committee. He was appointed to the Hulamin board in 2007.
3	**Mafika Edmund Mkwanazi (57)** *Independent Non-executive Chairman* Member of the Remuneration and Nomination Committee Businessman; Director of companies BSc (Mathematics); BSc (Engineering) Management Development Programme Strategies of Successful Business Management	Mafika has held various business positions including chief executive officer of Metro Rail Services from 1995 to 1996, executive director of Spoornet from 1996 to 1998, managing director of Transnet from 2000 to 2003, chairman of Western Areas, Letseng Diamonds and Orlyfunt Holdings from 2003 to 2006. He was also appointed as Chairman of Transnet Limited in December 2010. Other directorships he holds include Eskom Limited, Stefanutti & Stocks and the South African Bureau of Standards. He was appointed to the Hulamin board in 2007.
4	**Vusi Noel Khumalo (49)** *Non-executive director* Member of the Remuneration and Nomination Committee Senior manager: Industrial Development Corporation BCom; BCompt (Hons); CA (SA) Global Executive Development Programme	Vusi joined the Industrial Development Corporation (IDC) in 1998 and in his current position is responsible for managing the IDC's investment portfolio. His directorships include Atlantis Forge, Ernani Investments and Golden Frontiers Citrus. He was appointed to the Hulamin board in 2006.
5	**Geoff Harold Melrose Watson (60)** *Independent non-executive director* Director Asian sales and China business development of United Company RUSAL BSC (Agriculture) University of Sydney BEcon University of New England	Geoff was recently appointed to head Asian sales and China business development of United Company RUSAL, who is the world's largest producer of aluminium, founded in March 2007 following the merger of RUSAL, Sual and the alumina assets of Glencore. Geoff has held numerous senior executive positions in the aluminium and steel industries. He was an executive associate of Seema International in 2010 and CEO of Steelforce Australia in 2009 and held numerous positions at Alcoa Rolled Products from 1976 to 2008 which included Vice President China, General Manager Alcoa Bohai, China and Director of Operations, Alcoa Kaal, Australia. He was appointed to the Hulamin board with effect from 1 August 2011.
6	**Nomgando Nomalungelo Angelina Matyumza (48)** *Independent non-executive director* Member of the Audit and Risk Committee BCom; BCompt (Hons); CA (SA); LLB; Ordained Minister of Religion	Nomgando has held various positions in financial and general management and was employed between 1994 and 2004 at Transnet Pipelines, firstly as financial manager and then as deputy CEO. From 2004 to 2008 she was employed at Eskom Distribution as general manager for the Eastern Region. Nomgando is presently an ordained Minister of the African Methodist Episcopal Church at Umlazi, KwaZulu-Natal. She is a director on a number of boards, including Ithala Limited, KZN Growth Fund Managers (Pty) Limited, Wilson Bayley Holmes-Ovcon Limited and, with effect from 1 February 2010, Cadiz Holdings Limited. She was appointed to the Hulamin board with effect from 1 March 2010.

Note: *Ages quoted for all executives are at 31 December 2011*

8 9 10 11 12 13

7	**Johannes Bhekumuzi Magawaza (69)** *Non-executive director* Chairman of the Remuneration and Nomination Committee Member of the Transformation Committee Director of companies BA (Psychology and Social Anthropology) MA (IR); Dip (IR); Dip (PM)	JB joined Hulett Sugar in 1975, becoming personnel director for Hulett Refineries in 1988. He was appointed personnel director for Hulamin in 1992 until he became an executive director of Tongaat Hulett in 1994. He retired in 2003 but remained on the board in a non-executive capacity and was appointed Chairman in 2009. His directorships include Nedbank, Dorbyl, Rainbow Chickens, Mutual and Federal, Imbewu Capital Partners and Anglo American South Africa. He was appointed to the Hulamin board in 2007.
8	**Moses Zamani Mkhize (50)** *Executive director: Foil Products* BCom (Hons) Higher Diploma (Electrical Engineering)	Moses joined Hulamin in July 1982, was appointed Hot Mill production manager in 1989 and Foil Mill manager in 1994. In 1997 he became a director of Hulamin Rolled Products and in 2000 he was appointed a director of Hulamin. He is also a director of a number of subsidiaries of Hulamin.
9	**Charles Daniel Hughes (56)** *Chief Financial Officer* BAcc; CA (SA)	Charles joined Hulamin in 1979 and has held a number of financial positions with the group, including being responsible for the supply chain and information technology functions. He was appointed financial director of Hulamin in 2003 and Chief Financial Officer in 2007. Charles is also a director of a number of Hulamin subsidiaries.
10	**Richard Jacob (46)** *Chief Executive Officer* BSc (Engineering); MBA	After graduating with a BSc Engineering from the University of Cape Town and following a brief period as an officer in the South African Navy, Richard joined Hulamin in 1990 as an Industrial Engineer. In 1992 he was appointed Manager, Coil Coating Operation, followed by Market and Business Development Manager in 1996. In 2002, Richard was appointed to the Executive Committee and board of Hulamin, responsible for Coated Products, communication and investor relations. Richard was appointed as Chief Executive Officer in July 2010.
11	**Peter Heinz Staude (58)** *Independent non-executive director* Chief executive officer: Tongaat Hulett Limited BSc (Ind Eng) (Hons) (cum laude); MBA	Peter lectured at the University of Pretoria before joining Hulamin in 1978. In 1990 he became managing director of Hulamin Rolled Products and in 1996 managing director of Hulamin. He was appointed chief executive officer of Tongaat Hulett in 2002. Peter was chairman of the Hulamin board from 2002 to July 2007. He is also chairman of Trade and Investment KwaZulu-Natal.
12	**Lungile Constance Cele (58)** *Independent non-executive director* Chairman of the Transformation Committee Member of the Audit Committee; Businesswoman BCom; Post Grad. Dip Tax; MAcc (Taxation) Executive Leadership Development Programme	Zee practices as a tax consultant and financial accountant and has been running her Durban-based business, Tax Solutions CC, since 1989. She serves on the boards of Combined Motor Holdings, Three Cities Investments Limited and Sport For All Franchising. Zee is a commercial member of the Tax Court and is a member of the Standing Advisory Committee on Company Law. She was appointed to the Hulamin board in 2007.
13	**Sibusiso Peter-Paul Ngwenya (58)** *Non-executive director* Executive chairman: Makana Investment Corporation BCom (Hons)	Following his release from Robben Island in 1991, Peter-Paul joined Engen and later South African Breweries. In 1997 he joined Makana Trust, where he is a founding trustee and former chairman. He later co-founded Makana Investment Corporation of which he is the current executive chairman. Peter-Paul is the treasurer of the Ex-Political Prisoners Committee. He is also the chairman of South African Airlink, Heart 104.9 and Igagasi 99.5 radio stations and Sebenza Forwarding and Shipping Consultancy. He was appointed to the Hulamin board in 2007 as an alternate to Johannes Bhekumuzi Magwaza and a full director of Hulamin in October 2009.

Note: *Ages quoted for all executives are at 31 December 2011*

1 2 3 4

1	**Charles Hughes (56)** BAcc; CA (SA)	Charles has been with Hulamin since 1979 and was appointed to the board in 2003 and as Chief Financial Officer in 2007. He is responsible for the financial function within the group.
2	**Frank Bradford (51)** BSc (Engineering); Graduate Diploma in Engineering (GDE); MBA	Frank's career at Hulamin spans 18 years. He is responsible for marketing, sales and commercial issues in Hulamin Rolled Products. This includes responsibility for the supply chain function ranging from metal supply contracts, distribution, logistics and commercial contracts.
3	**Kenneth Mshengu (59)** BA; HDPM; Industrial Relations Diploma Executive Business Programme	Kenneth's career at Hulamin started 21 years ago, in the Human Resources function, for which he now has responsibility. He is also on the board of Hulamin Extrusions, responsible for the group's corporate social investment portfolio and is a trustee of the Hulamin pension funds.
4	**Hector Molale (45)** BS (Metallurgical Engineering) Advanced Business Programme	Hector joined Hulamin in 1993, and is responsible for the corporate affairs function which includes responsibility for communications, government, shareholder, investor, stakeholder, regulatory and statutory bodies relations.

Note: *Ages quoted for all executives are at 31 December 2011*

5 6 7 8

5	**Richard Jacob (46)** BSc (Engineering); MBA	After graduating with a BSc Engineering from the University of Cape Town and following a brief period as an officer in the South African Navy, Richard joined Hulamin in 1990 as an Industrial Engineer. In 1992 he was appointed Manager, Coil Coating Operation, followed by Market and Business Development Manager in 1996. In 2002, Richard was appointed to the Executive Committee and board of Hulamin, responsible for Coated Products, communication and investor relations. Richard was appointed as Chief Executive Officer in July 2010.
6	**Moses Mkhize (50)** BCom (Hons); Higher Diploma (Electrical Engineering)	Moses started his career with Hulamin in 1982, and was appointed to the board in 2000. Moses is responsible for Rolled Products manufacturing. Moses has held a broad range of operational management positions.
7	**Pierre Taljaard (53)** BEng (Metallurgical) (cum laude); MEng; BCom; MBL	Pierre has been with Hulamin since 1994 and is responsible for the technology, quality assurance, production planning and information technology functions in Hulamin Rolled Products. Pierre's portfolio also includes the responsibility for performance management.
8	**Colin Little (55)** BSc (Engineering); Pr Eng; MBA	Colin joined Hulamin in 1998 and is responsible for Hulamin Extrusions as well as for Hulamin Building Systems, the downstream stocking and building products business. He also oversees Hulamin's interests in Almin Metal Industries in Zimbabwe (a joint venture with Zimbabwe's IDC).

Note: *Ages quoted for all executives are at 31 December 2011*

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

In our sustainability report, we seek to provide stakeholders and sustainability practitioners details of our sustainability philosophy and performance. We continue with our philosophy of being accountable to stakeholders for the impact we have on our society, community, environment and industry.

Economic development, climate change, energy and water scarcity are some of the key challenges that have become important and impact on our business activities. At Hulamin, we acknowledge that we are part of a collective in responding to these challenges.

In 2011, we continued to raise the profile of the role for sustainability within Hulamin. We have also continued our path of obtaining external independent limited assurance on selected key performance indicators

We continue using Global Reporting Initiatives (GRI) G3 as a guideline only for the drafting of the report. We are working towards standardising our reporting process in line with these principles in order to afford stakeholders the opportunity to compare Hulamin with other organisations. Our sustainability key performance indicators are reported and measured using internally developed guidelines, which are available on request.

I have great pride in giving recognition to the contributions of my colleagues in preparing this report and would like to acknowledge their hard work in presenting a fair reflection of our efforts and the results thereof.

Anesh Sanker,
Behaviour-based Safety Coach
and Foil Mill Operator

REPORTING BOUNDARIES	
ENTITY	**NOTES**
Hulamin Rolled Products	Hulamin Rolled Products is the group's largest division and most of the data in this report pertains to this entity. The Hulamin Rolled Products plants stretch across two adjacent sites in Pietermaritzburg, which makes it easier to monitor and report more fully on environmental, safety and health issues in particular.
Hulamin Extrusions	The report partially covers Hulamin Extrusions. Hulamin Extrusions is located at three separate sites – the Pietermaritzburg (Edendale site), Midrand and Cape Town (Epping) plants. The latter was closed down during 2011. Being a multi-site operation poses challenges in aggregating indicators such as emissions and waste management. Certain data which is not aggregated or reported on in this report is still, however, being collected and monitored. The Pietermaritzburg plant is most fully reported on.
Hulamin Building Systems (50% ownership with Mazor Limited)	Hulamin Building Systems is remote from the main Hulamin site. Certain data which is not aggregated or reported on in this report is still, however, being collected and monitored
Hulamin Containers	Hulamin Containers is remote from the main Hulamin site. Certain data which is not aggregated or reported on in this report is still, however, being collected and monitored
Hulamin Roofing Solutions	Hulamin Roofing Solutions is remote from the main Hulamin site. Certain data which is not aggregated or reported on in this report is still, however, being collected and monitored.
Richards & Barlow (Pty) Limited (50% with Duro Pressings (Pty) Limited) (sold during the course of 2011)	Sold during the course of 2011 and consequently no longer reported on.

REPORT PROFILE

This report is an overview of Hulamin's sustainability performance during the 2011 financial year, with reference to, and comparison with, previous years.

Hulamin is guided by the principle that sustainability underpins all our actions. This forms the foundation for Hulamin's strategic agenda and ensures the health and growth of the organisation.

We have worked continuously to reduce the negative impacts of our environmental footprint, including a limited reduction in our greenhouse gas emission and a significant reduction in water consumption (please see pages 48 and 49 for the details). We have made a positive impact on the socio-economic conditions in our region, stimulating job creation, contributing to skills development, investing in the community, and promoting broad-based black economic empowerment (BBBEE).

Where available, targets are covered in this report. Where targets are absent, notably in the Environmental section, this is due to the complexity in determining what is feasible in our unique circumstances. The overriding concerns in setting environmental targets are: firstly, the wide range of products manufactured and the dynamic nature of our product mix (which changes according to market demand over which Hulamin has limited control).

Verification in line with DTI BBBEE codes

Most of Hulamin's BBBEE scorecard elements are verified by an independent and accredited verification agency, AQRate. For some elements, such as Corporate Social Investment, the BBBEE scorecard cycle changed for 2011 as compared to 2010.

Participating in sustainability indices

In 2011, Hulamin was once again appointed to the Johannesburg Securities Exchange's (JSE's) Socially Responsible Investment (SRI) Index for notable corporate governance, and environmental and social responsibility practices. The SRI Index encourages companies to embrace the triple bottom line (social, economic and environmental performance) as a method of doing business, while balancing this with the need to demonstrate a return for the shareholders.

Scope and boundaries

Apart from sales offices in Europe and North America, Hulamin is located entirely in South Africa. All reporting takes place within the South African regulatory and socio-economic context, with consideration for international standards.

STAKEHOLDER ENGAGEMENT

Our key stakeholder categories are as follows:

Employees

Employees are the foundation upon which all of our activities depend. Effective communication with employees is essential to the ongoing functioning of the business. We communicate through many different channels with employees, including:

- Weekly shop floor walkabouts by senior management;
- Weekly coaching reviews and Visual Management team meetings;
- Regular letters from the Chief Executive Officer;
- Internal newsletters;
- Communication boards;
- Employee relations meetings;
- Shop-floor briefings; and
- Interim and full-year financial performance updates.

We continually seek ways for further engagement with employees.

Government

We establish and maintain direct relations with a number of government departments and through a range of agencies at national, provincial and local levels. We constantly seek to engage constructively and align with government policy and growth objectives in our growth planning.

Providers of capital

Our bankers and shareholders and the broader investment community are constantly updated of our financial results and other topical issues through regular presentations, briefings and discussions with bankers, investment analysts, fund managers and journalists. We regularly brief the media in order to inform the broader investment public in newspapers, journals, radio and television.

Suppliers and customers

We work closely with our contractors, service providers and our customers to understand and address their concerns and requirements on material issues. Frequently, customer and supplier communication is formally recorded, while other regular contact is informal.

PARAMETER BOUNDARIES	
PARAMETER	**BOUNDARY**
Employment equity	All Hulamin, except Hulamin Building Systems
Preferential procurement	All Hulamin – corporate
CSI	All Hulamin – corporate
Enterprise development	All Hulamin – corporate
Skills development	All Hulamin, except Hulamin Building Systems, Containers and Roofing Solutions
Water usage	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Effluent discharged	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Direct energy	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Indirect energy	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Carbon footprint	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Waste – general, low, high	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Waste – recycled	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Lost time injury frequency rate (LTIFR)	All Hulamin
Total recordable frequency case rate (TRFCR)	All Hulamin
Fatalities	All Hulamin
Health – HIV costs	All Hulamin
Health – noise induced hearing loss (NIHL) cases	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Health – dermatitis cases	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Value added analysis	All Hulamin
Environmental training	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Air quality	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Energy saved due to efficiency and conservation efforts	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Employee participation	All Hulamin, except Hulamin Building Systems
HIV testing	All Hulamin, except Hulamin Building Systems
Health education/awareness	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Occupational health training	Pietermaritzburg operations of Hulumin Rolled Products and Extrusions
Goal oriented learning	Hulamin Rolled Products
Learnerships	Hulamin Rolled Products
Talent management	Hulamin Rolled Products
Pipeline management programmes	Hulamin Rolled Products and Hulamin Extrusions
Total skills development spend	All Hulamin
Investment in employee training and development as percentage of leviable amount	All Hulamin
Average learning hours per employee	All Hulamin
Investment in bursary scheme	Hulamin Rolled Products
Employee in company-sponsored education programmes	Hulamin Rolled Products

Note: *Once the structures and resources are in place for improved monitoring and collection of data, and the complexity of reporting on multiple sites has been dealt with, those entities that currently do not report fully will start to report on their parameters in more detail.*

Local communities and non-governmental organisations

We engage with the communities where we operate to better understand their concerns and interests, giving us an opportunity to participate appropriately. We contribute widely in corporate social investment activities with the immediate communities.

The media

We remain engaged with the media in sharing information that seeks to promote Hulamin, its activities and products.

Other stakeholders

We continue to engage cooperatively with our peers through industry associations which also provide a conduit for communication with government.

Please see page 26 for more detail on our Stakeholder engagement.

STATEMENT OF VERIFICATION

All content and qualitative data included in this report has been reviewed and approved by Hulamin management. Particular emphasis has been placed on ensuring that the report reflects a complete and fair picture of sustainability issues impacting the company in terms of the reporting boundaries. KPMG Services (Pty) Limited has provided limited assurance over selected KPIs. Their independent assurance report is on page 39.

Independent assurance report

Independent assurance report on selected sustainability information

To the directors of Hulamin Limited
We have undertaken a limited assurance engagement on selected sustainability information, as described below and presented in the Sustainability Report included in the 2011 Integrated Report of Hulamin Limited (Hulamin) for the year ended 31 December 2011 (the Report).

We have complied with the International Federation of Accountants' Code of Ethics for Professional Accountants, which includes comprehensive independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our engagement was conducted by a multidisciplinary team of health, safety, social, environmental and assurance specialists with extensive experience in sustainability reporting.

Level of assurance on selected sustainability information
We are required to provide limited assurance on the following key performance indicators prepared in accordance with Hulamin's internally developed guidelines and marked with a "LA" on the relevant pages on the Report:

- Employment Equity Indicators – expressed as the total number of people for each category (for Hulamin) – Black representation at senior management; Black representation at middle management; Black representation at skilled and supervisory level; Women at senior management; Women at middle management; Women at skilled and supervisory level; People with disabilities;
- Social Performance Indicators (for Hulamin) – Total CSI spend; Total broad-based black economic empowerment (BBBEE) spend; Total enterprise development spend;
- Social Performance Indicators (for Hulamin, excluding Hulamin Business Systems, Hulamin Containers and Hulamin Roofing Solutions) – Total skills development spend for disabled and black employees;
- Environmental Indicators (for Pietermaritzburg operations only of Hulamin Rolled Products and Hulamin Extrusions) – Direct energy consumption (gigajoules); Indirect energy consumption (gigajoules); Total carbon footprint (using Eskom electricity conversion factor); Total effluent discharge; General waste disposed; Low hazardous waste disposed; High hazardous waste disposed; Solid waste recycled; Total water consumption; Number of environmental incidents;
- Health and Safety Indicators (for Hulamin) – HIV/AIDS spend (expressed in Rand; Employee and contractor lost time injury frequency rate (LTIFR); Employee and contractor total recordable frequency case rate (TRFCR); Number of fatalities; and
- Health and Safety Indicators (for Pietermaritzburg operations only of Hulamin Rolled Products and Hulamin Extrusions) – New noise induced hearing loss (NIHL) cases for the year; New dermatitis cases for the year.

Directors' responsibilities
The directors are responsible for the selection, preparation and presentation of the sustainability information, the identification of stakeholders and stakeholder requirements, material issues, for commitments with respect to sustainability performance, and establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived, and for such internal control as the directors determine is necessary to enable the preparation of the Sustainability Report that is free from material misstatement, whether due to fraud or error.

The directors are also responsible for the selection and application of the criteria, which are Hulamin's internally developed guidelines, available on request from Hulamin, to the selected sustainability information.

Our responsibility
Our responsibility is to express a limited assurance conclusion on the selected sustainability information based on our work performed. We conducted our engagement in accordance with the International Standards on Assurance Engagements (ISAE) 3000 – Assurance Engagements other than the Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. That Standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected information is free from material misstatement.

Our procedures and the extent of our procedures depend on our judgement including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal control relevant to Hulamin's preparation of the Report. In a limited assurance engagement, the evidence gathering procedures are less than where reasonable assurance is expressed. We believe the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of work performed
Our work included the following evidence gathering procedures:

- Interviewing management to obtain an understanding of the internal control environment, risk assessment process and information systems relevant to the sustainability reporting process;
- Inspecting supporting documentation and performing analytical procedures; and
- Evaluating whether the information presented in the Report is consistent with our overall knowledge and experience of sustainability management and performance at Hulamin.

Conclusion
Based on our work performed, nothing has come to our attention that causes us to believe that the selected sustainability information set out above for the year ended 31 December 2011 is not prepared, in all material respects, in accordance with Hulamin's internally developed guidelines.

Comparability
This report includes the provision of limited assurance on total effluent discharge, number of fatalities, employee and contractor total recordable frequency case rate and the number of new cases of dermatitis for the year. We were previously not required to provide assurance on these parameters.

Limitation of liability
Our work has been undertaken to enable us to express a limited assurance conclusion on the selected sustainability information to the directors of Hulamin in accordance with the terms of our engagement, and for no other purpose. We do not accept or assume liability to any party other than Hulamin, for our work, for this report, or for the conclusion we have reached.

KPMG Services (Pty) Limited

Per **PD Naidoo**
Director

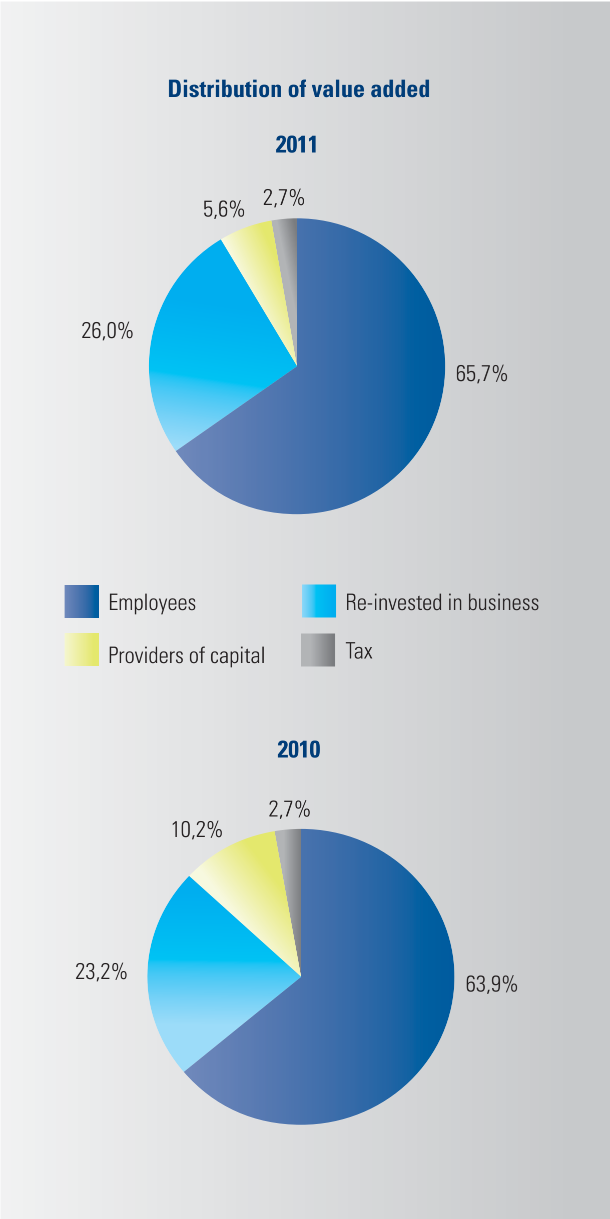
Johannesburg
16 Februay 2012

1 Albany Road
Parktown
South Africa
2193

ECONOMIC VALUE

Value added analysis

R'000	2011	2010
Turnover	**6 957 080**	5 808 667
Bought-in materials and services	**5 855 080**	4 665 636
Value added by operations	**1 102 000**	1 143 031
Applied as follows:		
To pay employees		
Salaries, wages and benefits	**723 581**	729 997
To pay providers of capital	**61 910**	116 923
Interest on borrowings	**61 910**	116 923
Dividends to ordinary shareholders	**–**	–
Taxation	**29 546**	30 716
Re-invested in business	**286 963**	265 395
Depreciation	**209 698**	192 899
Retained earnings	**77 265**	72 496
	1 102 000	1 143 031



SOCIAL RESPONSIBILITY

Enterprise development

Philosophy and why it is important

Hulamin's enterprise development (ED) objective is to assist in the development of sustainable businesses that will create jobs and add stimulus to the local economy. Hulamin's commitment to this process is to provide business opportunities to new enterprises and support for Small, Medium and Micro Enterprises (SMMEs) through the provision of professional, financial and logistical support as well as various start-up support services.

Responsibilities

The Black Economic Empowerment (BEE) Review Committee coordinates activities of enterprise development as well as procurement activities and reports to the Transformation Committee, which is a sub-committee of the board. An independent accredited verification agency, AQRate, verifies records of enterprise development activities.

Approach

Enterprise development strategies and activities are mandated by the BEE Review Committee at quarterly reviews, where feedback is provided on ED performance against targets, resources are allocated and fresh mandates are provided. Hulamin, has in 2011, continued with its partnership with the Business Support Centre (BSC), a non-governmental organisation which is well equipped to facilitate ED. Hulamin supported the BSC to the extent of R500 000 in 2011, and a cumulative total of almost R1,4 million since 2006.

Achievements

Five enterprises were established and developed in 2011, being:

- Ushanele Trading Enterprise – industrial cleaning;
- Jailbreak – catering and canteen services;
- ZCN Business Enterprise – hygiene products;
- Winter Knight – specialised industrial cleaning; and
- Ziyanda and Mkhawuli Construction firms – Civil works and Construction.

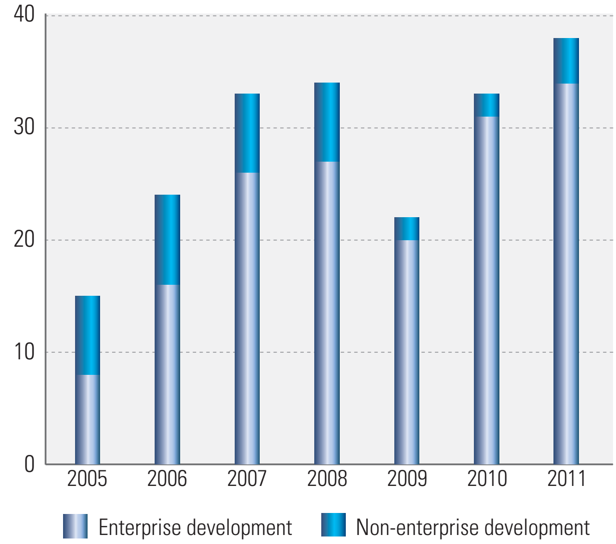
Successful enterprise development facilitated by Hulamin in 2011

- Ushanele Trading Enterprise was established in May 2011 and provides industrial cleaning services to Hulamin. It is owned by a former Hulamin employee and has a staff complement of 22 people and an annual turnover of about R1,3 million.
- Jailbreak provides canteen and catering services to Hulamin's 1 500 staff. This is their first big corporate account and they have worked with Hulamin to upgrade their services. Jailbreak has a staff complement of 23 people with an estimated annual turnover of R1,8 million (pictured below).

Nobuhle Mbanjwa, owner of Jailbreak, winner of the 2011 Emerging Business of the Year Award by the Pietermaritzburg Chamber of Business

Caiphas Ngcobo, owner of ZCN Business Enterprise

African spend (R million)



- ZCN Business Enterprise provides specialised hygiene services and chemical products to Hulamin. ZCN has employed three staff, and has an initial annualised turnover of R0,12 million.
- Winter Knight is an established forklift service provider. Hulamin saw an opportunity for this enterprise to branch out and establish a specialised industrial cleaning service to Hulamin on the Edendale site, in particular around the new foil mills. The enterprise now employs 13 people.
- Ziyanda Construction and Mkhawuli Construction provide civil and construction work for Hulamin. Hulamin has provided on-the-job mentorship and guidance to the two companies. These firms have a combined staff complement of 12 people with a turnover of R0,4 million a year.

In 2011, Hulamin developed, nurtured and mentored 18 of its African-owned enterprises whose collective turnover was R35 million, an increase from R32 million in 2010. These enterprises employ 228 workers (previously 350 workers) on a permanent basis, which corresponds to 11% of Hulamin's total complement of 2 030 employees.

Business Support Centre's (BSC's) 2011 achievements

Hulamin has played a key role in establishing and supporting the BSC, thereby contributing enormously to the development of entrepreneurs as well as job creation in the region. Since its inception in 1997, the BSC has provided training to more than 11 400 entrepreneurs in various business skills. Currently the BSC registers approximately 175 new businesses per annum as well as establishing and mentoring these new enterprises to ensure long-term sustainability. In 2011, the BSC coordinated in excess of 50 BEE Verification Certificates for SMMEs. The BSC has since 2005 been instrumental in the creation of more than 1 900 jobs.

Enterprise development expenditure

The expenditure on enterprise development in 2011 amounts to R1 405 950,97[LA] (compared to R505 000[LA] in 2010). The 2011 figure, in addition, includes shorter-term benefits where Hulamin pays qualifying emerging enterprises within ten days upon submission of invoices to assist with cash flow; senior management time on ED; and BSC financial support. The recent BEE verification conducted during 2011 showed that Hulamin's enterprise development has improved from 2,8 to 12,8 points in the BEE Scorecard.

Hulamin's procurement from ED entities

Hulamin's procurement spend with ED entities has trended upwards in recent years, exceeding 80% of the total procurement spend from wholly-owned African enterprises since 2009 as depicted in the table below. This is an accumulative expenditure of over R150 million over the seven years since 2005.

		2005	2006	2007	2008	2009	2010	**2011**	2012 Forecast
Enterprise development	Rm	8	16	26	27	20	31	**34**	36
Non-enterprise development	Rm	7	8	7	7	2	2	**2**	2
Total spend	Rm	15	24	33	34	22	33	**36**	38
Enterprise development percentage of total spend	%	53	67	79	79	91	94	**94**	95

Note:

ED *African enterprises from whom Hulamin procures goods and services, which were established with Hulamin's help and are still supported in their business development and management by Hulamin.*

Non-ED *African enterprises from whom Hulamin procures goods and services, but which were not established with Hulamin's help nor supported in their business development and management by Hulamin. There are many opportunities for Hulamin to work with these businesses in future to achieve their potential.*

LA Limited assurance provided by independent assurance provider (refer page 39)

REVIEW OF ENTERPRISE DEVELOPEMENT SUPPORT FOR SPECIFIC ENTERPRISES 2007-2011

	2007	2008	2009	2010	**2011**	Nature of Hulamin's involvement
NIP Pallets						
Turnover at Hulamin	15 516 558	15 272 008	10 114 416	15 852 442	**17 142 928**	Costing/pricing, quality assurance, raw material sourcing, shorter payment terms, mentoring
Number of employees	48	48	48	48	**50**	
Hulamin's involvement (number of hours)	12	7	10	0	**0,5**	
Senzokuhle Cleaning						
Turnover at Hulamin	1 526 814	1 459 807	1 586 441	1 561 433	**980 001**	Business plan, costing, quality assurance, shorter payment terms, mentoring, Hulamin arranged mentorship programme for Senzokuhle for R30 000
Number of employees	38	45	48	36	**36**	
Hulamin's involvement (number of hours)	20	14	7	18	**9**	
Khoza Carriers						
Turnover at Hulamin	3 991 507	4 662 682	3 292 962	5 788 251	**6 107 372**	Provided letters of support to banks to raise loans, to grow the business, facilitated bigger contracts at Hulamin Rolled Products
Number of employees	14	14	14	14	**13**	
Hulamin's involvement (number of hours)	4	4	18	1	**1**	
Mandla's Drum refurbishment						
Turnover at Hulamin		35 000	28 000	30 000	22 909	Mentorship
Number of employees		2	2	2	2	
Hulamin's involvement (number of hours)		22	22	3	1	
TWDM Timber's pallets						
Turnover at Hulamin		624 745	1 229 531	2 103 412	**2 516 001**	Mentorship, guiding and allocation of business
Number of employees		16	18	18	**18**	
Hulamin's involvement (number of hours)		19	12	5	**3**	
Mobeni Welding						
Turnover at Hulamin			–	–	**331 995**	Mentorship, guiding and allocation of business
Number of employees			2	2	**2**	
Hulamin's involvement (number of hours)			10	4	**2**	

These tables demonstrate Hulamin's continued support for enterprises that it helped set up over the last five years. These enterprises are now becoming sustainable and independent as can be seen from fewer working hours of support and mentoring required from Hulamin.

REVIEW OF ED SUPPORT FOR SPECIFIC ENTERPRISES 2007-2011 continued

	2007	2008	2009	2010	**2011**	Nature of Hulamin's involvement
Bheka Phambili						
Turnover at Hulamin			150 742	795 410	**573 679**	Costing/pricing, quality assurance, sourcing of machines, providing shorter payment terms, mentoring
Number of employees			6	6	**6**	
Hulamin's involvement (number of hours)			28	10	**7**	
Khulani Trading						
Turnover at Hulamin			105 510	–	**375 789**	Mentorship and setting up costing models
Number of employees			–	4	**6**	
Hulamin's involvement (number of hours)			–	14	**9**	
Ziyanda Construction						
Turnover at Hulamin			–	–	**37 831**	Mentorship
Number of employees			5	5	**5**	
Hulamin's involvement (number of hours)			2	–	**–**	
Dudu Chacha Canteen						
Turnover at Hulamin			100 000	100 000	**–**	Dudu Chacha has a 30% stake in Capitol Caterer's Hulamin account
Number of employees			4	4	**3**	
Hulamin's involvement (number of hours)			9	15	**15**	
Hulacore						
Turnover at Hulamin				–	**222 403**	Mentorship
Number of employees				5	**4**	
Hulamin's involvement (number of hours)				9	**12**	
Progress Engineering						
Turnover at Hulamin				–	**1 625 005**	Mentorship and setting up costing models
Number of employees				11	**13**	
Hulamin's involvement (number of hours)				16	**9**	
Mapholoba Metal Works						
Turnover at Hulamin				20 000	**30 000**	Mentorship and setting up costing models
Number of employees				4	**4**	
Hulamin's involvement (number of hours)				1	**1**	
Winter Knight						
Turnover at Hulamin				–	**–**	Mentorship and setting up costing models
Number of employees				10	**10**	
Hulamin's involvement (number of hours)				10	**8**	

PREFERENTIAL PROCUREMENT

Philosophy and why it is important

Hulamin is committed to the economic empowerment of black South Africans and prioritises business relationships with other companies who actively engage in sound employment equity and black economic empowerment programmes.

The sustainable future of Hulamin and South Africa depends on the economic involvement and empowerment of all previously disadvantaged groups, particularly black South Africans, in mainstream business on a sustainable basis. These objectives are pursued through the preferential procurement programme.

Responsibilities

The Procurement Review Committee, chaired by a member of the Executive Committee, oversees the company's progress in preferential procurement.

The committee is responsible for strategy and planning, approving suitable supply opportunities, reviewing results and supplier performance, approving additional suppliers and any preferential terms.

The committee meets on a quarterly basis to review progress and achievements related to preferential procurement and enterprise development opportunities and plans to increase BBBEE spend and enterprise development, and to discuss and resolve issues or obstacles related to achieving Hulamin's BBBEE targets.

Approach

Hulamin promotes the development of black-owned businesses and in particular wholly African-owned entities as preferred suppliers. Expenditure with these businesses is tracked over time, from which targets are set and performance is managed.

To achieve its Preferential Procurement objectives, Hulamin ensures that:

- Black businesses are sought as suppliers of choice;
- Hulamin subsequently works closely with these suppliers to assist them to achieve their goals;
- Non-BBBEE suppliers are encouraged to improve their own BBBEE ratings with the objective of becoming BBBEE suppliers to Hulamin; and
- All suppliers are encouraged to seek opportunities for partnerships or other interactions with BBBEE enterprises, in order to effect skills and knowledge transfer.

In addition to its objective of developing black business in general, Hulamin actively seeks African entrepreneurs who have the potential to grow into successful suppliers.

All contracts with preferred suppliers, including African SMEs (Small and Medium Enterprises), are concluded on regular commercial terms to ensure sustainability, ensuring that all suppliers meet Hulamin's requirement for the best value package, comprising price, quality, service, delivery performance, Safety, Health and Environment and payment terms.

In order to achieve the objective of developing African SMEs, Hulamin commits to the following:

- In assessing competing suppliers, Hulamin gives preference to African SMEs who present value packages that are equivalent to non-African SMEs. This applies particularly to African SMEs from communities within which Hulamin operates;
- Hulamin actively seeks out African SMEs and encourages them to become suppliers to Hulamin. This is achieved through a database of potential suppliers, as well as working through organisations such as the Business Support Centre in Pietermaritzburg;
- Hulamin seeks to work closely with African SME suppliers who would benefit from exposure to Hulamin's technical and management skills, with the goal of encouraging skills transfer and a more competitive supplier base; and
- Hulamin encourages the formation of willing partnerships between African entrepreneurs and established suppliers where such partnerships permit the transfer of business skills, knowledge and experience so empowering the African entrepreneurs, and over time enabling them to take over the business or to establish their own competitive businesses.

Hulamin's objective of developing African SMEs is pursued through the involvement of all Hulamin employees. The procurement department consults broadly in all areas in identifying and structuring supply opportunities that will suit African SMEs and in the further development of these suppliers. At the same time, good governance is obligatory.

Consultation takes many forms, from employees identifying and communicating opportunities they see to management arriving at a decision to outsource a non-core function or to close down an internal function and source from a third party. Examples over the past years include the outsourcing of the printing department, box making department, the canteen, and contractual agreements with ex-employees now rendering cleaning services to the company.

2011 Achievements

Hulamin BBBEE expenditure report January 2011 to December 2011

Due to the nature of its business, Hulamin sources over fifty percent by value of its purchases in the form of aluminium metal from the local aluminium smelter, BHP Billiton. This amounted to R3,59 billion over the past 12-months period. This accounts for approximately 65% of the total of Hulamin's total BBBEE spend of R3,7 billion.

Year on year, Hulamin's overall BBBEE expenditure increased from just below 60% to just below 70% of total expenditure with BBBEE enterprises.

Over the last 12 months, Hulamin spent R3,72 billion[LA] with BBBEE enterprises. Of this total, R112 million was spent with Qualifying Small Enterprises (QSEs) and Emerging Micro Enterprises (EMEs), R256 million on black enterprises (greater than 50% black-owned), and R13 million with black woman-owned businesses (greater than 30% black woman-owned).

BBBEE expenditure now represents 69,86% of total expenditure for the period after exclusions such as imported goods and services and VAT.

Hulamin met and slightly exceeded the targeted expenditure with wholly-owned African entities of R35 million for 2011 with an expenditure of R36,4 million. This is compared to the 2010 expenditure of R32,7 million.

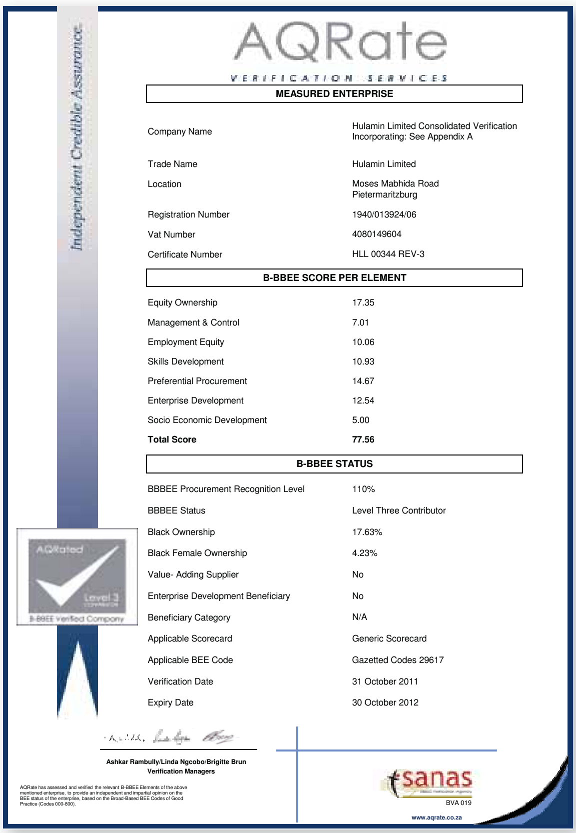
LA Limited assurance provided by independent assurance provider (refer page 39)

January to December 2011 summary

Possible points	12	3	3	2	20
Potential score	12	0,63	1,60	0,08	14,31*
Total spend	69,86% All BBBEE spend	2,09% QSE/EME spend	4,79% Black (>50%) spend	0,25% Black women spend	69,86% % of BBBEE spend
5 336 079 106	**3 727 539 244[LA]**	**111 624 762**	**255 575 894**	**13 238 521**	

* *Preferential Procurement scored 14,67 points in 2011 as rated by the independent and accredited verification agency, AQRate. No overall BBBEE spend target is set, rather we aim at 100% African-owned entity spend as a target.*

In 2010, BHP Billiton was classified as a level 7 supplier (from level 8 in 2009), allowing 50% of the invoice amount to be classified as BEE expenditure. Subsequently BHP Billiton split into two separate entities, namely Hillside Smelter and Bayside Smelter, which in December 2010 resulted in two separate BBBEE scorecards with improved results. Bayside became a level 6 entity and Hillside a level 5 entity. This change in BEE rating of BHP Billiton has a significant impact on Hulamin's overall BBBEE expenditure value.



Independent Credible Assurance.

AQRate

VERIFICATION SERVICES

MEASURED ENTERPRISE

Company Name	Hulamin Limited Consolidated Verification Incorporating: See Appendix A
Trade Name	Hulamin Limited
Location	Moses Mabhida Road Pietermaritzburg
Registration Number	1940/013924/06
Vat Number	4080149604
Certificate Number	HLL 00344 REV-3

B-BBEE SCORE PER ELEMENT

Equity Ownership	17.35
Management & Control	7.01
Employment Equity	10.06
Skills Development	10.93
Preferential Procurement	14.67
Enterprise Development	12.54
Socio Economic Development	5.00
Total Score	**77.56**

B-BBEE STATUS

BBBEE Procurement Recognition Level	110%
BBBEE Status	Level Three Contributor
Black Ownership	17.63%
Black Female Ownership	4.23%
Value- Adding Supplier	No
Enterprise Development Beneficiary	No
Beneficiary Category	N/A
Applicable Scorecard	Generic Scorecard
Applicable BEE Code	Gazetted Codes 29617
Verification Date	31 October 2011
Expiry Date	30 October 2012

AQRated Level 3 B-BBEE Verified Company

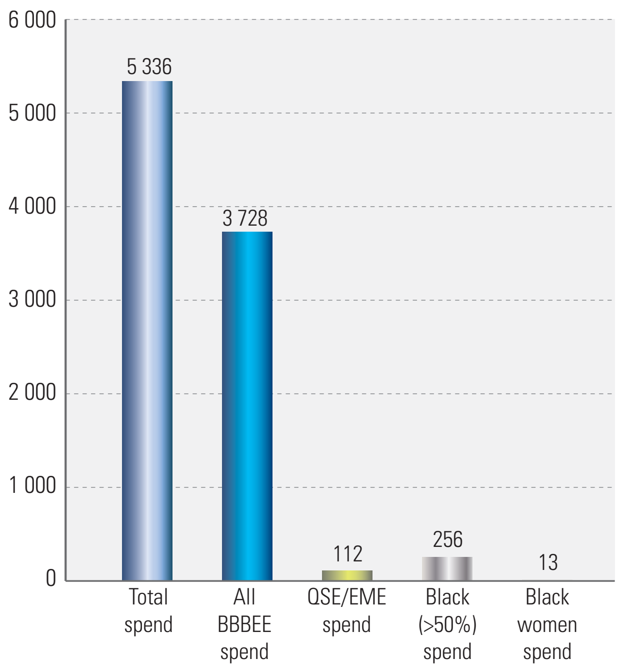
Ashkar Rambully/Linda Ngcobo/Brigitte Brun
Verification Managers

sanas
BVA 019

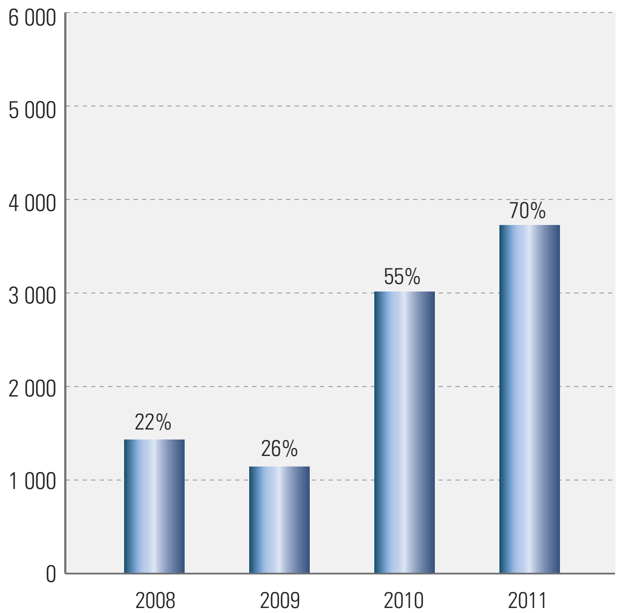
www.aqrate.co.za

Hulamin's BBBEE scorecard is verified by an independent and accredited verification agency, AQRate

Historical spend (R million)



BBBEE spend (R million)



LA *Limited assurance provided by independent assurance provider (refer page 39)*

CORPORATE SOCIAL INVESTMENT

Philosophy and why it is important

Hulamin considers itself an integral part of the community in which it operates and is committed to using its available resources to improve the quality of life for the people within the region, with particular focus on historically disadvantaged communities. It is imperative to make a difference by adding value to the development of these communities.

The organisation continues to prioritise education, health, development of community skills, welfare, environment and crime prevention in its CSO activities.

Responsibilities

Corporate Social Investment (CSI) reports to the BBBEE Committee, which reports to the Transformation Committee, a subcommittee of the board of directors.

As one of the elements of the BBBEE scorecard, CSI is verified by an independent and accredited verification agency, AQRate. The latest verification exercise was concluded for the period 14 July 2010 to 13 July 2011. The BBBEE scorecard cycle has changed when compared to 2010 due to the verification process taking longer than it had been anticipated.

Approach

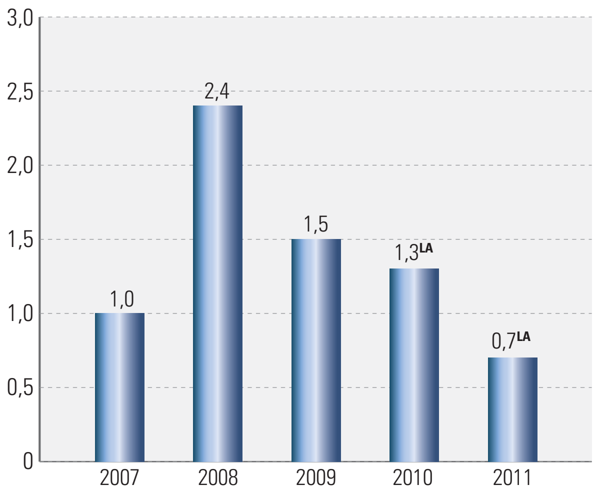
The Hulamin board, the local community and the community based organisation and employees are the stakeholders who contribute to defining the CSI strategy. Hulamin consults with all potential beneficiaries to evaluate their needs and the impact to the community. An evaluation is also undertaken to test if the requests are aligned to business priorities and fall within the Hulamin CSI strategy.

2011 Achievements

The 2011 CSI expenditure target was 1% of profit after tax (PAT).

The total CSI expenditure in the form of donations for 2011 was R720 395[LA]. This figure is lower than the previous year's due to the economic climate facing the company. In addition, Hulamin spent R1 300 000 on employee transport subsidies as well as R15 000 per month on cafeteria subsidies. These subsidies are excluded from the CSI figure reported above.

Comparison of CSI expenditure (R million)



Key CSI projects undertaken in 2011

The table below depicts the breakdown by category of the R720 395[LA] that has been expended towards CSI initiatives during 2011.

	AMOUNT	PERCENTAGE
Welfare	255 930	35,5
Education	254 465	35,3
HIV/AIDS specifically	105 000	14,5
Skills upliftment	45 000	6,2
Environment	35 000	4,8
Crime prevention	25 000	3,4

Hulamin made donations to Msundusi Hospice, the MST (Maths, Science and Technology) Recovery Project run by the Midlands Community College based in Nottingham Road, iThemba Trust and SANCA, amongst others.

The Msundisi Hospice continues to play an integral role in the Edendale community with their outreach home based care, by ensuring that professional nursing care is provided at home to many terminally ill patients.

The MST Recovery Project provides tuition to post-grade 12 learners from under-resourced schools who demonstrate great potential in Maths and Science. It provides these learners a "second chance" to study and re-write matric Maths and Science in the hope of obtaining the necessary university entrance. The project has been operational for 12 years and learners participating in the project have consistently achieved excellent results. Approximately 80% to 90% of these learners are accepted to study at tertiary level every year.

Hulamin has donated funds for the provision of Lifeskills training by the iThemba Trust, a faith-based, non-profit organisation based in Sweetwaters near Pietermaritzburg, to learners in grades 7 and 8 at four schools in the area. The Lifeskills training addresses issues such as self-image, HIV/AIDS, drugs, death and relationships and teaches these children essential life lessons in an effort to help them make the right decisions. Hulamin part-funded this project during 2011 and the children proved to be exceptionally responsive and showed a big desire to learn these skills in order to know how to live life "right".

For many years Hulamin provided sponsorship towards SANCA's annual awareness programme which focuses on communities from rural areas in the KwaZulu-Natal midlands. This annual programme raises awareness about the destructive effects and tragic consequences of substance abuse. The programme also promotes a healthy lifestyle and aims to educate and inspire communities, and particularly school children, about these benefits.

LA Limited assurance provided by independent assurance provider *(refer page 39)*

ENVIRONMENT

Philosophy and why it is important

Hulamin embraces the philosophy of continuous improvement and one of requiring every employee to be responsible and accountable for the custodianship of our natural resources. In this way, we are all empowered to minimise negative impacts and maximise positive impacts on our environment.

The long-term functioning of a manufacturing business such as Hulamin is dependent on a healthy environment, continued access to limited natural resources (such as water) and compliance with environmental laws, norms and best practices. To optimise the impact on the environment and to encourage the sustainable use of natural resources, recycling of materials and reduction of waste, Hulamin, promotes the practice of "reduce, reuse and recycle".

In view of current global environmental concerns regarding climate change, Hulamin has recognised the need to integrate environmental sustainability into mainstream business decisions and activities. This directive necessitated a review and the reformulation of our environmental policy during 2011 to entrench this approach.

Responsibilities

The Executive Committee team is actively involved in the identification of environmental impacts and ensuring that these impacts on land, water, air and energy are monitored and reported. Environmental initiatives are discussed by the Hulamin Safety, Health and Environment Committee which is an Executive Committee (EXCO) function, and they are communicated via the Safety, Health and Environmental (SHE) GAP review meeting. A GAP review is a quarterly meeting attended by Safety team representatives and representatives from the departments to address outstanding actions in terms of safety.

Further, Hulamin encourages all employees to be environmental custodians. Departmental Environmental Representatives for each area have been appointed. Their role is to stimulate awareness and to encourage identification of environmental incidents such as water waste/spillage, electricity inefficiency, waste separation non-conformances.

Approach

During 2011, Hulamin improved its measurement and reporting systems. For example, Hulamin has completed a project to improve electricity metering within manufacturing areas to allow facilitation of projects to reduce electricity consumption. To further heighten awareness, key environmental performance indices are now reported monthly to our executive committee. These include the absolute and intensity data of energy, CO_2e emissions, water consumption and waste generation.

The business has addressed new legislative requirements as covered in the Waste Management Act, 2008 and the Air Quality Emission Standards for listed activities, 2010. These activities include conducting baseline surveys of all listed activities and the application for a waste licence.

The ISO 140001 environmental management system forms the framework for managing environmental issues. Open and constructive interaction with employees, local communities, regulatory agencies, business organisations, and other affected and interested parties is promoted and maintained.

The Carbon Footprint database developed in 2010 has been entrenched and expanded to monitor water and waste consumption. The database is also used to track energy consumption, water use and waste generation.

2011 Achievements

This year Hulamin was re-certified in terms of ISO 14001 and received ten minor findings.

There were no fines or sanctions issued in 2011. However, 13 environmental incidents (all level 1)*[LA] were recorded in the reporting period compared to 18 incidents (all level 1)[LA] in 2010.

Note:

* *Level 1 incident: Minor: an event (spillage/emission etc) that is either contained on site (spillage: cleaned up/interceptor pit) or has insignificant impact on the environment (start up smoke on furnace or short emission).*

Hulamin spent R3,8 million at the Edendale site and R1,3 million at the Camps Drift site on managing effluent.

Environmental training

An environmental representative system has not yet been fully entrenched, but training has been provided for most departments. A formal monthly inspection system is operational where findings and results are discussed at departmental level. Environmental awareness training has been reassessed and redeveloped and will roll out in 2012.

ENERGY FOOTPRINT

Energy consumption

The total direct energy consumption (LPG, low sulphur oil, diesel, and petrol) for 2011 was 1 663 657 GJ[LA], which is slightly higher than in 2010: 1 658 371 GJ[LA]. The total indirect energy consumption (electricity) for 2011 was 1 050 955 GJ[LA], which is also slightly higher than in 2010: 1 045 340 GJ[LA]. Although total energy consumption showed a marginal increase from 2010 to 2011, production levels had increased by 9,4% over this period. This resulted in an overall reduction in energy intensity from 2010 to 2011.

Energy saved due to efficiency and conservation efforts

This year saw the implementation of an internal measurement system for electricity consumption across the Pietermaritzburg site (Rolled Products and Extrusions). The project entailed the installation of meters on all transformers which enabled the capture of consumption data plant wide.

Awareness amongst employees was also raised on the energy, cost and carbon footprint contributions associated with electricity use through Hulamin publications throughout 2011. Hulamin is nearing the completion of a Demand Side Management (DSM) project that saw the replacement of about 4 500 factory light fittings that were replaced with energy efficient lights.

Measures taken over the last two years to improve electricity efficiency have continued to reduce consumption per ton manufactured. From 2010 to 2011, a reduction in electricity consumption per ton manufactured of 8,1% is recorded.

LA Limited assurance provided by independent assurance provider (refer page 39)

Electricity consumption: comparative savings from electricity savings projects and interventions 2008 to 2011

2011	25 823 393 kWh	115,9 kWh/MT production
2010	6 069 152 kWh	29,8 kWh/MT production
2009	5 368 880 kWh	35,9 kWh/MT production
2008	5 596 683 kWh	30,2 kWh/MT production

These values indicated the savings made in electricity against "business as usual" at 2010 electricity consumption rates or against specific projects. The 2011 figures reported represent the Hulamin savings made without the 2011 interventions to save electricity. It should be noted that the Hulamin electricity consumption increased, from 2010 to 2011, by 0,5% while production increased by over 9%.

The ground work for a Heat Recovery Project commenced in 2011. This project will enable the business to use waste flue gases to heat up 10 tons of scrap per hour to a temperature of around 300 degrees. This will reduce cycle times and improve energy consumption. A feasibility study has been completed.

Hulamin is the largest bulk liquified petroleum gas (LPG) user in South Africa with an annual consumption in the region of 30 000 tons of LPG. LPG is one of Hulamin's largest cost drivers and there are opportunities to make a significant impact by optimising how we use this energy. A Gas Optimisation Specialist has been appointed whose responsibilities include to ensure optimal process control and efficiencies for processes reliant on LPG as an energy source.

Energy savings related to electricity, LPG and lubricants: between 2010 and 2011

Electricity	92 964 GJ	417,3 MJ/MT production
Rolling and hydraulic oils	22 234 GJ	99,8 MJ/MT production
LPG	203 777 GJ	914,7 MJ/MT production

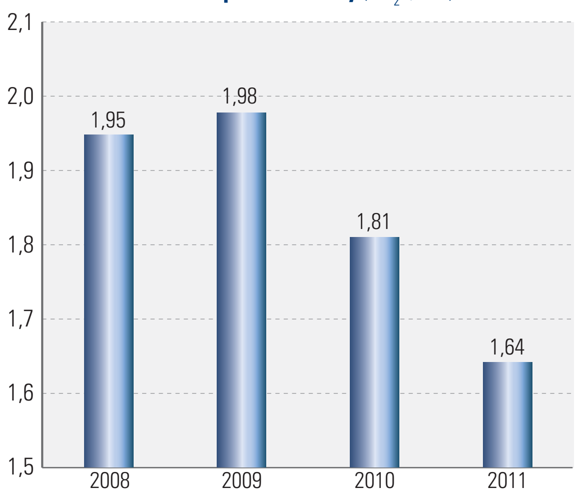
Note: *that the energy savings reported are based on 2011 production at 2010 consumption rates.*

Key: *MT refers to metric tons.*

Carbon footprint

Hulamin is pleased to report that our Carbon Footprint data has shown a steady and consistent reduction in intensity from 2010. This reduction has been achieved by general reductions in lowering intensities of both electricity and LPG consumption. The overall Carbon Footprint as reported using the Eskom factor is also lower due to the use of the Eskom factor for electricity generated as compared to 2010 where the factor for electricity sold was used.

Carbon footprint intensity (CO_2e/MT)



We did, however, have a setback in July when the LPG supply was interrupted causing a downturn in production; a concomitant reduction in energy efficiency and Carbon Footprint Intensity was experienced for that month in accordance with the scale of production.

Note that emissions from refrigerants (Scope 1) have now been included in the Hulamin carbon footprint.

Emissions as per the 2011 Eskom emission factor 0,99 kg CO_2/kWh for electricity generated to be in line with reporting in terms of the GHG Protocol

Year	Scope 1 MT CO_2e	Scope 2 MT CO_2e	Scope 3 MT CO_2e	CO_2e total in MT	CO_2e intensity
2011	**111 296**	**286 093**	**7 031**	**404 420[LA]***	**1,82**
2010	107 913	299 084	7 875	414 872[LA]	2,04

* *Total direct and indirect emissions*

For export customers that require emissions to be reported as per the GHG Protocol 2007 default emission factor for electricity purchase in South Africa (0,845 kg CO_2/kWh)

Year	Scope 1 MT CO_2e	Scope 2 MT CO_2e	Scope 3 MT CO_2e	CO_2e total in MT	CO_2e intensity
2011	**109 319**	**286 093**	**9 008**	**365 009***	**1,64**
2010	107 913	252 334	7 875	368 121	1,81

* *Total direct and indirect emissions*

Key:

Scope 1 *(GHG Protocol) is based on our direct emissions from fuels and refrigerant consumption.*

Scope 2 *(GHG Protocol) on our electrical consumption.*

Scope 3 *(GHG Protocol) on lubricant.*

Greenhouse gas emission reduction initiatives

A strategy to minimise the use of fuel and electricity is in place. The Hulamin approach to reducing consumption is one of continuous improvement. Projects as outlined in the section "Energy saved due to efficiency and conservation efforts" on page 47 resulted in a reduction of emissions against a "business as usual" theoretical standard. Carbon Hulamin Footprint intensity was reduced by over 10% from 2010 to 2011 based on the local emission factor for electricity.

Emission savings from 2010 to 2011

Electricity (Eskom emission factor)	25 307 MT CO_2e	113,6 kg CO_2e/MT sold
Rolling and hydraulic oils	1 587 MT CO_2e	7,1 kg CO_2e/MT sold
LPG	12 852 MT CO_2e	57,7 kg CO_2e/MT sold

The emission reductions reported are based on 2011 production levels at 2010 consumption rates.

LA *Limited assurance provided by independent assurance provider (refer page 39)*

Air quality

We are currently finalising the baseline surveys based on the new listed activities standards. The surveys on all permanently operational furnaces, except one of the twin roll casters, have been completed. We measured against the listed activity for "secondary aluminium" which requires us to monitor for the following parameters: particulates, hydrogen fluoride (HF), total volatile organics compounds (TOC) and ammonia (NH_3). All the results comply with the standards. In future the measurement and monitoring of for all listed activities will be undertaken annually.

WATER CONSUMPTION

The total water consumption for 2011 was 647 813 kℓ[LA]. This indicates a significant reduction from 2010 when the consumption was recorded as 774 930 kℓ.

The total water consumption for 2011 was 2,91 kℓ/MT of aluminium production, compared to 3,81 kℓ/MT for 2010.

Hulamin has made significant progress in reducing water consumption during 2011. Not only did our total consumption decrease by 16,4%, our water consumption per unit ton produced was reduced by 23,6%. This was achieved by increasing awareness, improved metering and general good stewardship by members of our production facilities. We do, however, see further opportunity to reduce consumption and commit to continued efforts to reduce our water consumption in 2012.

Water effluent discharge

An independent study by the consultancy, Dave Nozaic CC (Process Water Specialists), on sulphate reduction was concluded in 2011 and concluded that there is no current suitable and cost effective method of reducing the sulphate levels to levels required by the local authorities. We have taken steps to reduce chemical consumptions in efforts to reduce sulphate contributions to our water effluent.

LA Limited assurance provided by independent assurance provider (refer page 39)

We improved on our pH parameters by installing a probe system at the central effluent plant in Pietermaritzburg in 2011. This has had a positive impact on the free flow of the sewer line. The Camps Drift effluent plant has succeeded in reducing the levels of sulphate to comply with the local authority limits through converting from an alum to a proprietary aluminium chloride-based dosing regimen.

Total effluent discharge for 2011 was 169 181 kℓ[LA]. The 2010 discharge was recorded as 193 485 kℓ, indicating a reduction of 12,7%. This is in line with the overall reduction in water consumption.

Waste management

Hulamin's existing agreement with its waste service provider is to manage the hazardous waste streams by ensuring that the waste is disposed of in a responsible manner.

This agreement was extended in 2011 to include all solid waste streams (including scrap metal, wooden pallets, and office paper). This is conducted by allowing the waste service provider to control all waste leaving the site, obtaining best prices, and using revenue to increase sorting and recycling opportunities on site.

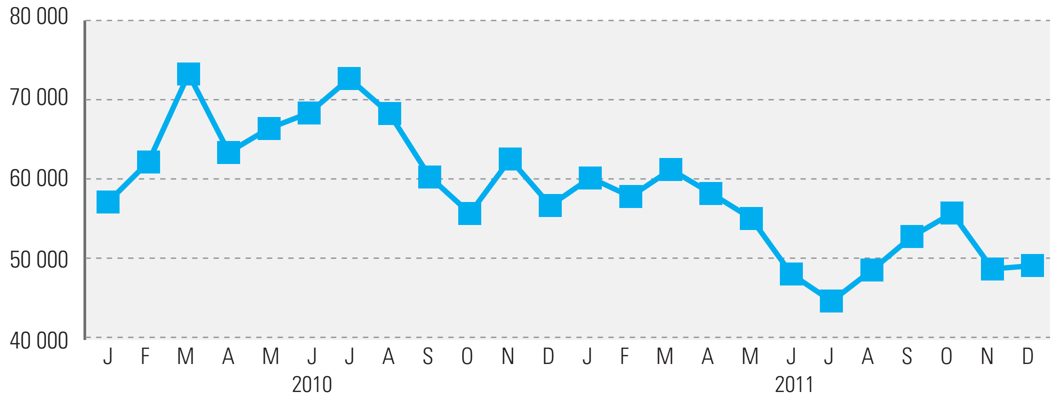
Waste intensity has increased in 2011 from 23,7 kg/MT in 2010 to 25,1 kg/MT in 2011 due to the increase of aluminium hydroxide sludge skips from the effluent process. The latter move has been a conscious decision to improve effluent water quality leaving the Hulamin site.

Increased awareness of recycling and improved monitoring enabled Hulamin to report recycling of 1 080 MT[LA] of waste in 2011. This represents 16,2% of the total waste generated.

Disposed volumes 2011

WASTE STREAMS	VOLUMES (MT)
General	1 129[LA]
Low hazardous	4 469[LA]
High hazardous	0,9[LA]
Recycled	1 080[LA]

Water consumption 2010 to 2011 (kℓ)



EMPLOYEE PARTICIPATION

Philosophy and why it is important

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

Responsibilities and structures

Responsibility for employee relations lies jointly with the Human Resources executive and line management.

Formal communication with employees and their representatives takes place regularly and at various levels, including the Departmental Action Forums (DAFs), where employees meet with line management, and the Employee Relations Committee (ERC), where employee representatives meet with senior management. In addition, employees regularly engage with management through weekly Visual Felt Leadership structures.

Policies and procedures

Grievance and disciplinary policies and procedures are in place. These are guidelines for both employees and management when dealing with disciplinary and grievance procedures in the workplace and a disciplinary code is given to all employees on commencement of employment.

75,73% of Hulamin employees are covered by collective bargaining agreements.

No time was lost due to work stoppages, strikes or stay-aways during 2011.

EMPLOYEE EQUITY

Philosophy and why it is important

Hulamin's employment equity philosophy stipulates that the development of all the employees regardless of race and gender, with emphasis on people from designated groups, is central to a sustainable and successful organisation and regards employment equity as a special intervention required to address the situation resulting from blacks having been previously disadvantaged in South Africa.

Employment equity is an integral component of Hulamin's business strategy and is focused on the following aspects:

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

Responsibilities

The CEO is ultimately responsible for employment equity within the organisation and the HR executive is the appointed senior employment equity manager to drive the implementation thereof. The employment equity process is monitored through divisional employment equity committees, which report to the Hulamin Employment Equity Committee. This committee in turn reports to the Transformation Committee.

As one of the elements of the BBBEE scorecard, employment equity is verified by an independent and accredited verification agency. In this regard AQRate, was appointed to conduct a verification exercise for the period 15 July 2010 to 13 July 2011.

Structure

The Hulamin board, Executive Committee, employee representatives and employees are the stakeholders for employment equity.

Over and above the annual consultation process as required by law, consultation takes place regularly with the following forums:

- Employment equity committees, comprising of employees, which exist at a strategic and at an operational level, monitor and evaluate progress on employment equity issues at meetings held quarterly;
- The Transformation Committee is chaired by a non-executive director and the Hulamin Employment Equity Committee Meeting is chaired by the CEO. Meetings take place quarterly; and
- Targets are set according to a three-year horizon. New targets have been set for the period 1 January 2011 to 31 December 2013.

The following measures are in place to ensure targets are reached:

- Training and development initiatives;
- Talent and performance management;
- Mentorship and coaching programmes;
- Career development programmes;
- Development programmes for technologists;
- Development plans for women;
- Diversity management programmes;
- Targeted recruitment and selection for people from designated groups;
- Targeted promotion for people from designated groups;
- Learnership programmes for people with disabilities;
- Developed strategic partnerships with universities and universities of technology to recruit people from disciplines relevant to our business; and
- Retention strategies.

Progress is monitored through the various employment equity structures.

Achievements in 2011

Areas of achievement include:

- The E-band target of one female which was set for December 2011 has been achieved through the promotion of an African female to the position of area manager. This is a notable achievement, given that this is the first female to be appointed to this type of position. Hulamin achieved its African E-band targets for December 2011;
- One male was promoted and appointed to the position of Market Manager at E-band. This resulted in Hulamin achieving the black E-band targets for December 2011;
- Concerted effort continues to increase female representation at all levels within the organisation, particularly technologists;
- There were 170 females at shop floor level at the end of December 2011, compared to 151 in January 2009. Training programmes are in place to enhance the development of female employees to develop a pool of technically qualified women from which apprentices can be sourced and to advance female operators into senior operator positions;

- 19 females have qualified as artisans and all have been placed into permanent positions. Currently there are two female apprentices out of a total of 16, which will be increased in future apprentice intakes;
- Plans are in place for the development of female artisans into senior artisan roles. Strategies include coaching, mentoring, on-the-job training, specialised technical training and inter-departmental rotation; and
- Good progress has been achieved in improving representation of persons with disabilities. A second group of eleven employees with disabilities who enrolled in the learnership programme on 1 September 2009 successfully completed their training on 28 February 2011. One of the learners (pictured adjacent) who was appointed permanently into a switchboard operator position at Hulamin, recently joined a major construction company in Durban, two were appointed into administrative positions at a local motor dealership, while four were appointed into limited duration contracts with Hulamin which were concluded on 31 August 2011. Black representation at D-band and above is 59% and 91% at skilled and supervisory levels respectively.

Thuthu Ngubo, Receptionist at Hulamin Containers

Data submitted to the Department of Labour

In accordance with the Employment Equity Act, No 55 of 1998, employment equity reports are submitted to the Department of Labour on an annual basis. In terms of section 22 of the Act, Hulamin is required to publish a summary of its employment equity report in Hulamin's integrated annual report. The table below reflects Hulamin's employee profile as at 31 May 2011.

Total number and rate of employee turnover with a breakdown by gender

Employee turnover for 2011 was 231 (44 females and 187 males). This represents 11% of the total complement.

Hulamin's employee profile as at 31 May 2011

	Male				Female				Foreign nationals		
Occupational levels	**A**	**C**	**I**	**W**	**A**	**C**	**I**	**W**	**Male**	**Female**	**Total**
Top management	3	0	0	5	0	0	0	0	0	0	8
Senior management	9	2	13	34	2	1	1	2	2	0	66
Professionally qualified and experienced specialists and mid-management	36	9	59	46	11	3	6	11	12	0	193
Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents	361	52	292	56	60	13	25	19	2	0	880
Semi-skilled and discretionary decision making	625	93	164	10	111	21	17	0	0	0	1 041
Unskilled and defined decision making	0	0	0	0	0	0	0	0	0	0	0
Total permanent	**1 034**	**156**	**528**	**151**	**184**	**38**	**49**	**32**	**16**	**0**	**2 188**
Temporary employees	0	0	0	0	0	0	0	0	0	0	0
Grand total	**1 034**	**156**	**528**	**151**	**184**	**38**	**49**	**32**	**16**	**0**	**2 188**
Key: A = African, C = Coloured, I = Indian, W = White											

Performance against targets table as at 31 December 2011[LA1]

CRITERION	TARGET	STATUS 2011	NUMBER OF PEOPLE 2011	NUMBER OF PEOPLE 2010
Black representation at senior management	42%	**45%**	**31**[LA]	26[LA]
Black representation at middle management	64%	**67%**	**125**[LA]	140[LA]
Black representation at skilled and supervisory level	80%	**94%**	**791**[LA]	875[LA]
Women at senior management	17%	**9%**	**6**[LA]	5[LA]
Women at middle management	20%	**17%**	**32**[LA]	45[LA]
Women at skilled and supervisory level	17%	**14%**	**118**[LA]	157[LA]
People with disabilities	1,3%	**1,1%**	**24**[LA]	36[LA]

Notes:

People with disabilities were erroneously reported as 82 last year instead of 36.

The 2011 employee figures exclude Hulamin Building Systems (HBS) since Hulamin no longer plays an active role in the day-to-day management of HBS. No recruitment took place during 2011, restricting Hulamin's ability to meet certain of its 2011 targets.

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HEALTH

Philosophy and why it is important

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

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

Responsibilities

The Human Resource Executive leads the Employee Health portfolio, and reports to the CEO who in turn reports to the board of directors.

The South African Bureau of Standards conducts an annual audit of the Health Care Centre, to ensure compliance with ISO 14001 certification (the Environmental Management System) and the OHSAS 18001 (Health and Safety Management System).

Approach

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

Several health care programmes are in place which includes occupational health risk assessment and control measures, hygiene surveys and medical surveillance programmes (which comprise, inter alia, lung function tests, audiograms and eyesight tests). Biological monitoring is also conducted where appropriate. Vision screening specifically for forklift and crane operators is also conducted.

A Health Care Centre is manned by employees with the appropriate skills, competencies and qualifications in the field of medicine and Occupational Health Nursing Practices.

Health and wellness education programmes form a vital component of occupational health. Such programmes are also linked to wellness days which are held biannually. The key elements of these programmes include health and lifestyle education, and personal health assessment, including Voluntary Counselling and Testing (VCT).

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

HIV/AIDS

Hulamin's HIV/AIDS programme provides guidelines for addressing HIV/AIDS related issues in the workplace. These include, inter alia:

- Preventing unfair discrimination based on HIV status;
- Promoting a non-discriminatory environment in which employees living with HIV/AIDS are able to be open about their status without fear of stigmatisation or rejection;
- Promoting appropriate and effective ways of managing HIV/AIDS;
- Creating a balance between the rights and responsibilities of all parties; and
- Hulamin has set a goal for all employees to know their HIV status.

2011 results/achievements

In total 725, employees went through HIV testing in 2011.

VCT total – comparative
2011 – 725
2010 – 902
2009 – 410

Hulamin has not yet met its target of all employees knowing their HIV status. A number of employees prefer to consult their own doctors without disclosing the results to the company.

As at the end of 2011, 219 employees were known to be HIV positive, and of these HIV positive employees, 63 were receiving anti-retroviral (ARV) support at the end of 2011.

Expenditure on ARV for 2011 was R476 176,40[LA] compared to R477 736[LA] in 2010.

There were no noise induced hearing loss (NIHL) claims for 2011[LA] as was the case in 2010[LA]. Three cases of Dermatitis[LA] were reported in 2011. This is the first time this parameter has been reported.

Occupational health training

First aid training (level 1 and 2) was been conducted in 2011 to enhance the competency of employee's knowledge related to injuries and medical emergencies.

Hulamin has recently introduced noise induced hearing loss awareness training as part of the annual medicals, to ensure that employees understand the risks of not wearing their ear protection.

Occupational hygiene surveys

Surveys are conducted based on legislative requirements for health risks/stressors such as:

- Noise;
- Air contaminates;
- Dust; and
- Thermal.

SKILLS DEVELOPMENT

Philosophy

Hulamin believes that it is important to continually develop organisational skills and learning, and to contribute to reducing the national skills shortage. An outcomes based approach to development that affirms personal growth, individual responsibility and a culture of lifelong learning has been adopted.

Training and development initiatives draw on the technological, operational and process knowledge that exists within the business, and uses this to guide employees into developing innovative solutions for real business challenges. This further builds organisational learning while maximising the potential of individual employees within the working environment.

Responsibilities

To ensure a consistent approach, the Human Resources (HR) Executive is given overall responsibility for training and development strategies. Line managers are responsible for leading the training and development efforts within each manufacturing area. They are supported by training and

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development specialists who report to the HR Executive. Engagement at shop floor level takes place through quarterly training committee meetings that include union representatives. Training progress is monitored quarterly at the Hulamin Learning and Development Review, attended by line management and executives.

Approach

Learning programmes are based on a blended approach, which combines class-based programmes with on-the-job training, participation in projects and task teams as well as E-learning. Hulamin has training programmes in place, including but not limited to the following:

- Integrated Manufacturing Approach Visual Management;
- Goal Oriented Learning (GOL);
- Learnerships – portability of skills;
- Talent management; and
- Traineeship Development Programme.

Performance management remains the key driver in our talent management approach. All staff employees are subject to biannual performance reviews. The review process has been aligned to Hulamin's accountability matrix whereby an employee must be assessed by his/her boss, a team member and a relevant specialist and includes consolidated performance feedback to the employee. This multiple perspective process provides a broader view of employee capabilities.

LEARNING PROGRAMMES: PERFORMANCE IN 2011

IMA visual management

In July 2011, Hulamin Rolled Products launched a mission directed work teams programme, known as IMA Visual Management (IMA VM). The aim of IMA VM is to empower front-line teams and their support functions to encourage a culture of problem identification and solving that should result in continuous improvement, learning and teamwork from the shop floor. This is achieved through teams translating the overall organisational goals which are defined in terms of quality, speed, cost, safety and people (QSCSP) into meaningful goals for their respective levels. Teams visually measure and review their performance against the agreed goals in order to make performance results and improvement initiatives transparent.

From July to September 2011, 333 employees had completed the Day 1 module training, which was an overview of the IMA VM processes. These employees are presently working on their projects.

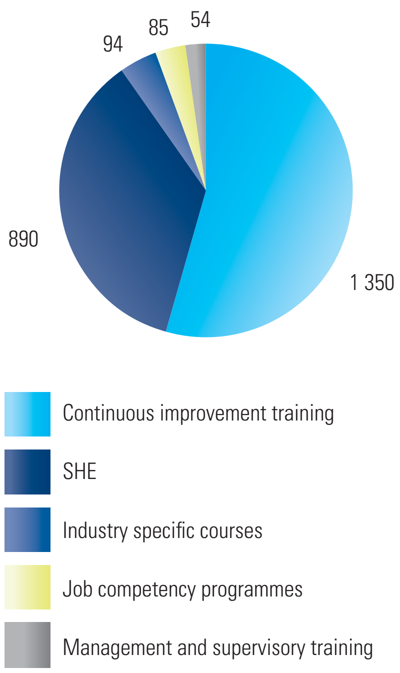
In October 2011, the front-line team training commenced with 492 employees undergoing this training during the last quarter of 2011. The training programme introduces shift leaders and operators to the IMA WM concept and assists them in setting up the mini-business units. The remaining Hulamin Rolled Products employees will attend this training in 2012.

The Module 2 training which deals with the 5S practices which aim to create a pleasant, organised and productive workplace in which everything is visually clear and controlled, also commenced in September 2012.

The overall cost of IMA VM training is expected to be R2,2 million of which 2011 training expenditure, contributed 41,9% of this expenditure.

The Kiwi team from Plate Plant on Visual Management training

Number of employees trained in other interventions



Goal oriented learning (GOL)

In Hulamin Rolled Products, learning continues to be driven through Goal Oriented Learning, a programme emphasising learning through an individual's own work experience. Visible elements of the programme include a series of on-the-job assessments using competency based learning units. Assessment of competency includes verification of specific tasks by team leaders and summative assessment with integrated assessment.

The focus continues on ensuring that the Goal Orientated Learning is sustained, fully entrenched and integrated into other IMA initiatives. A total of 688 employees have been trained on GOL learning units from 2007 to 31 December 2010. During 2011, GOL training focuses on training new employees on the system. Contact has been established with an external service provider to assist Hulamin with building internal expertise on the programme in 2012.

Learnerships – portability of skills

In 1999, Hulamin introduced the Skills Based System (SBS) which is a multiskilling framework that aims to create a multiskilled workforce performing a wider and more flexible set of tasks. This is achieved through providing operators with maintenance skills to enhance their level of machine breakdown reporting and perform first-line maintenance related tasks.

During 2011, 86 operators were trained in maintenance related tasks and are now capable of performing at least two jobs at the same level and one job at a higher level.

Hulamin has aligned its training offering towards the National Qualification Framework (NQF), ensuring national recognition for successful learners.

The benefit to employees is that skills acquired through accredited programmes provide them with nationally recognised skills. The company benefits through having standardised programmes with external competency assessment processes. The programmes create more skilled and flexible employees, enabling the business to be more competitive.

Stories – Bursary student

Shree Maharaj

My passion for engineering came from a fascination with spacecrafts from a young age. This led me to pursue a degree in Mechanical Engineering at the University of KwaZulu-Natal, from which I qualified at the end of 2011. It was in 2009 that I applied to Hulamin for vacation work, which was required by my degree. This application led to Hulamin generously sponsoring my studies for the following two years, and as a result I am now working here as an Engineer in Training.

I chose mechanical engineering as it covers a broad range of fascinating subjects, such as the strengths of materials, thermodynamics, fluid mechanics as well as mechanical design to name a few. In my final year of study I used the knowledge gained from the many subjects for my final year project, which was to design and oversee the manufacture of a Mobile Hybrid Rocket Launch Platform. This project was worked on with two other group members, and won third place overall at the UKZN's School of Mechanical Engineering Open Day.

So far, being an EIT has been a unique experience, and I have been fortunate enough to have been guided by many knowledgeable people. Every employee that I have encountered at Hulamin holds valuable experience and skill.

Progress in 2011 includes

Business Administration: Eleven people with disabilities were recruited externally into this programme in May 2009 and successfully completed their training in February 2011. Since the inception of the programme, four of these learners have been appointed permanently in Hulamin staff and seven have secured permanent positions in the market. During the forthcoming years, increased attention will be placed on improving the training and development of employees with disabilities in order to improve their skills sets as well their employment prospects.

Team leaders' skills programme: Forty shift leaders completed team leader training.

Talent management

At Hulamin, the term "talented people" refers to employees who perform well above expectations and who have the potential to grow into leadership roles such as senior manager positions or specialist roles.

During 2011, focus was on career discussions with talented/high potential employees, driven by the CEO. The CEO held one-hour career development discussions with employees. This process will continue into 2012, with the development of formalised and structured individual career development plans. This exercise will be driven by the respective employees' managers, strongly supported by the Organisation Development Manager.

In addition, a Technologist Manpower Forum was established in 2011. This forum is tasked to ensure that Hulamin intensifies the development initiatives for technologists, particularly Africans and females, in order to ensure that the right skills are in place to meet the ongoing business needs. Actions that this forum works on include: career development, providing challenging tasks, competitive salaries, career paths for technologists and pipeline development.

Pipeline management programmes

Another critical component of the talent management strategy is the pipeline management. Hulamin's approach is to focus on bursars, apprentices and in-service trainees. These programmes ensure a continuous flow of talent into Hulamin. Over the last four years six bursars, 23 apprenticeship and 20 in-service trainees were recruited as engineers, technicians and artisans into various areas of the business.

Pipeline management programmes over last three years

YEAR	APPRENTICE	IN-SERVICE TRAINEES	BURSARS
2009	34	22	12
2010	20	28	20
2011	**16**	**0**	**14**

Skills development – key indicators

		2011	2010
Investment in employee training and development as percentage of leviable amount	%	**2,4**	3,5
Proportion of the above focused on black employees	%	**1,75**	2,8
Percentage of employees trained as percentage of total workforce	%	**86**	67,3
Average learning hours per employee	hr	**17**	27,4
Investment in pipeline management programmes	R	**3 282 286**	6 784 910
Employees currently in learnership programmes		**84**	89
Investment in bursary scheme	R	**1 072 734**	1 608 811
Employees in company sponsored education programmes		**174**	211
Total skills BBBEE spend	R	**11 163 843**LA	16 619 468LA
Total skills development spend	R	**13 030 703**	19 613 894

Note: *The figure reported in the previous report (2010) as the "Total Skills Development spend" was incorrectly labelled and was in fact the total for "Total BBBEE spend" (R16 619 468). The "Total Skills spend for 2010 was R19 613 894. Expenditure was low in 2011 compared to 2010 due to the prevailing economic conditions.*

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A Zwane, Plate Plant Auxiliary Operator; Maku Ngcobo, Electrical Apprentice

SAFETY

Philosophy and why it is important

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

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

Responsibilities

The Hulamin Executive Committee is accountable for safety in the organisation. There are formal structures in place to identify, evaluate, and control operational risks. The Hulamin Safety, Health and Environment Committee meets quarterly. All management structures are involved in Visible Felt Leadership processes, which involve a walkabout on the shop floor to discuss progress and identify barriers and constraints to improving performance. Employees are expected to take ownership of their own safety; however, management provides structured direction aimed at inculcating a culture of safe behaviour. Line management is responsible for safety in their respective areas and is centrally supported by the Safety, Health and Environmental team. Hulamin is audited for verification and compliance in line of the OHSAS 18001 annually.

Approach

Hulamin has an integrated approach to safety, adopting the process of behaviour based safety and OHSAS 18001 standard.

Processes have been implemented to address high and low potential risks through formal risk assessment principles.

Zodwa Dlamini,
Auxiliary Operator at the Twin Roll Caster

The low potential risks, such as nip points, personal protective equipment (PPE), and scrap handling are addressed by means of the following tools:

- Behaviour based safety;
- Housekeeping audits;
- Visible felt leadership;
- Baseline risk assessments; and
- System reviews.

The high potential risks, which include explosions, the operation of cranes, and driving of forklifts, are addressed by utilising the more comprehensive risk assessments tools such as Fault Tree and Failure Mode Effect Analysis.

The reporting of near misses is a priority as this is a leading indicator that can assist in forecasting potential injuries. Teams are encouraged through the behaviour based safety pactising process (whereby teams make a commitment to one another) to report their near misses and these are then investigated as if they were injuries.

2011 results

	TARGET		ACTUAL	
INDICATORS	RATE	NUMBER OF INCIDENTS	RATE	NUMBER OF INCIDENTS
2011 LTIFR	**0,20**	**7**	**0,53LA**	**15**
2011 TRFCR	**0,90**	**23**	**1,31LA**	**22**

Comparative table:

	RATE	NUMBER OF INCIDENTS
2011 LTIFR	**0,53LA**	**15**
2010 LTIFR	0,33LA	10
2009 LTIFR	0,31	10
2011 TRFCR	**1,31LA**	**22**
2010 TRFCR	1,87	45
2009 TRFCR	1,16	37

There were no fatalities during 2011LA

There were 15 Lost Time Incidents (LTI) in 2011 resulting in targets not being met.

The incidents experienced encompassed the following:

- Two amputations of fingers;
- Three relating to slips, trips and falls;
- Two related to burn injuries;
- One incident related to failure to lock out adequately;
- Two incident related to “caught between” (spools and rolls);
- One incident related to a head injury;
- Two incidents related to back injuries;
- One incident related to chemical inhalation; and
- One incident related to a laceration.

In order to mitigate incidents in the future, an incident verification review has been introduced that audits the following:

- Investigation forms are submitted on time;
- Quality of the investigation;
- Proof of safety talks being conducted;

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- Closure of corrective actions;
- Task based risk assessment being completed; and
- High potential near misses.

The safety performance in 2011 did not meet targets, particularly in the outlying manufacturing areas (i.e. Hulamin Containers and Hulamin Roofing Solutions). The Safety, Health and Environmental team will be placing more emphasis on these areas in 2012 and will be conducting monthly audits.

Hulamin uses two measures to measure and track safety performance. The Lost Time Injury Frequency Rate (LTIFR) is measured by the division of the number of lost time injuries by total man hours worked, multiplied by 200 000 for standardisation. LTIFR refers only to lost time injuries and excludes light duty.

The Total Recordable Frequency Case Rate (TRFCR) refers to the division of all recordable cases (refers to fatalities, lost time and medical treatment cases) by the hours worked, multiplied by 200 000 for standardisation. The TRFCR allows for the identification and management of the circumstances in which incidents occur thus ultimately reducing the overall risk of having a serious accident.

There was a reduction in Medical Treatment Cases in 2011 which has had a positive impact on the TRFCR figure.

A formal risk assessment process was adopted in 2011 to identify potential safety hazards related to non-routine maintenance tasks. This process involves artisans and maintenance contractors assessing the potential risk before carrying out their tasks.

SABS conducted a certification audit on OHSAS 18001:2007. Ten findings were issued. All the findings were minor, mainly operational safety findings, and have been addressed.

Once again, in 2011, focus was placed on specialised training. The training courses were conducted by external specialised service providers and were aimed mainly at artisan level.

Practical training sessions included:

- Fire team;
- Height safety and rescue;
- Lifting tackle inspector; and
- Chlorine handling, usage and its dangers.

Focus was placed on improving the competency of the shift leaders by conducting a two-day course focusing on legislative requirements, standards, behaviour based safety, and incident investigation techniques.

A weekly walkabout system has been entrenched focusing on the following:

- Housekeeping;
- Guarding;
- Stacking;
- Environmental leaks/spills; and
- Damaged equipment.

This is based on the 5S system for improved housekeeping.

Safety awards

As part of the Behaviour Based Safety (BBS) approach, Safety Awards are awarded every year in December. These awards recognise individuals and teams that have worked safely and responsibly during the year.

Winners

Overall best department: Camps Drift Hotline

This department achieved the best overall score for the monthly safety scorecard and management's commitment is excellent. The employees work well as a team and are very competitive.

Best coach: JM Nzimande

Joshua Nzimande has become one of the leading BBS coaches. He goes the extra mile in motivating other team members and coaches from other teams. Joshua has made a difference with his own team, in the Coil Inspection area, resulting in a reduction in injuries from two in 2010 to zero in 2011. The unique technique he displays and uses to do corrective coaching has changed the team's culture and vision. Every team member knows what is required when it comes to safety.

Joshua has become the driving force when it comes to reporting near misses. He has investigated numerous near misses and incidents and found long-term preventative solutions. He has gone further by influencing other team members and coaches and even shift leaders to play a more active role in reporting near misses.

Best team: Coil Inspection team

The Coil Inspection team of the Coil Processing department was the winner in 2011, with a reduction in the number of injuries and near misses reported, the highest number of safety talks and the highest number of peer to peer pact observations. Many new safety ideas generated by the team have resulted in safety improvements in their area such as safety signs having been installed to inform all employees that the area has a high volume of forklift and crane traffic (pictured below).

Winner of the Best SHE Team Award, Coil Inspection Team, led by Edward Mngadi (with white hat)

Health and safety representatives

There are over 100 Health and Safety Representatives supporting the philosophy of employees taking responsibility for their own and their colleague's safety and thus embedding the culture of safety.

Emphasis has been placed on addressing leading indicators by auditing the following systems and procedures:

- Forklift and crane checklists;
- Safety device checklists;
- Banned item control;
- Permit to work/non-routine risk assessments;
- Safety training;
- Incident review;
- Statutory inspections; and
- Near miss reporting.

The audit report findings are discussed at management meetings and closure addressed at the subsequent audit.

In terms of the JSE Listings Requirements, all JSE-listed companies must comply with the King Code of Governance Principles for South Africa (King III Code), as from financial years commencing on or after 1 March 2010. The period under review is the first financial year in respect of which the company has to report on the implementation of the King III Code principles.

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

Hulamin's practices were benchmarked against King III principles and recommended practices, using a detailed gap analysis that was undertaken during the year. Hulamin applies the vast majority of the recommended practices of the King III Code.

Those areas where the recommendations are not applied, or are in the process of implementation, or have been applied in a different manner envisaged by King III, are detailed in the relevant sections of the integrated annual report.

Board of directors

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

Hulamin has a unitary board consisting of three executive directors and ten non-executive directors of whom seven are independent.

During 2011, the shareholders approved the appointment of G Pretorius and G H M Watson whose brief résumés are set out on page 32.

These additional board appointments have further strengthened the business skills and experience base of the board. The board endeavours to ensure that it has the right balance of skills, experience, background, independence and business knowledge necessary to discharge its responsibilities.

Details of the directors are listed on pages 32 and 33 together with a brief résumé of each director. The roles of M E Mkwanazi as independent non-executive Chairman and R G Jacob as the Chief Executive Officer are separate with a clear division of responsibilities which are set out in the board charter.

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

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

In accordance with the company's memorandum of incorporation, non-executive directors are subject to retirement by rotation at intervals of three years and may be re-elected at the annual general meeting at which they retire. Newly appointed directors hold office until the next annual general meeting at which they retire. The board charter was changed in 2012 to require non-executive directors who have served on the board for more than nine years to retire, except in exceptional circumstances. The appointment and removal of directors, as well as changes to the composition of the board, are based on the recommendation of the Remuneration and Nomination Committee. Non-executive directors are chosen for their business skills and expertise appropriate to the strategic direction of the company. There are no term contracts of service between any of the directors and the company or any of its subsidiaries.

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

Newly appointed directors are introduced to the group via a formal induction programme. In order to improve the board's effectiveness, evaluations of the board, individual directors, board committees and the Chairman are carried out annually. External evaluations are done every second year.

Reon Damons, Auxiliary Operator;
Nicholas Mnyadi, Shift Leader;
Roy Sharmkumar, Plate Saw Operator

ATTENDANCE OF DIRECTORS AT BOARD AND COMMITTEE MEETINGS DURING THE YEAR ENDED 31 DECEMBER 2011				
	Board	Audit and Risk	Remuneration and Nomination	Transformation
Number of meetings	**7#**	**3**	**4**	**3**
Non-executive directors				
L C Cele*	7	3		3
V N Khumalo	6	1^	3	
T P Leeuw*	7	3		
J B Magwaza	6		4	3
N N A Matyumza*	5	2		
M E Mkwanazi*	5		2	
S P Ngwenya	7			
G Pretorius (note 1)*	2			
P H Staude *	7			
G H M Watson (note 1)*	2			
Executive directors				
C D Hughes	7	3^		
R G Jacob	7		4	3
M Z Mkhize	7			3

Includes one telephone conference board meeting.

* *Independent non-executive director.*

^ *Attendance by invitation.*

Note 1: *Appointed as a director with effect from 1 August 2011.*

The board's key responsibilities are:

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

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

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

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

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

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

Board committees

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

The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group.

The board has an Audit and Risk Committee, a Remuneration and Nomination Committee and a Transformation Committee.

Audit and Risk Committee

The group Audit and Risk Committee consists solely of independent non-executive directors. Its members are T P Leeuw (Chairman), L C Cele and N N A Matyumza. The members were re-elected at the annual general meeting held in July 2011. The Chief Financial Officer as well as V N Khumalo and representatives of the internal and external auditors attend committee meetings by invitation. The Company Secretary, W Fitchat is the secretary of this committee.

The responsibilities of the committee and details of the execution of the duties of the committee during the year under review is set out in the Report of the Audit and Risk Committee on pages 66 to 67.

The board has resolved that after the 2012 annual general meeting, the Audit and Risk Committee be split into two separate board committees and that a board Risk Committee be created to deal with risk, safety, health and environment matters. The Audit and Risk Committee will be renamed the Audit Committee and a new Risk Committee will be created.

The board also resolved that N N A Matyumza would not be nominated for re-election to the Audit Committee and instead G Pretorius will be nominated for election as a member of the Audit Committee at the 2012 annual general meeting. The board has resolved that G Pretorius will be the Chairman of the Risk Committee and that M E Mkwanazi and P H Staude be appointed as committee members. The Chief Executive Officer will nominate members of management to join the Risk Committee as invitees.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of non-executive directors of whom one is an independent director. Its current members are J B Magwaza (Chairman), V N Khumalo and M E Mkwanazi. The board resolved to appoint N N A Matyumza to the committee with effect from 1 January 2012.

The Chief Executive Officer and T K Mshengu (Human Resources executive) are invited to attend meetings of the committee.

M A Janneker (Human Resources Manager) is the secretary of this committee. The committee normally meets four times a year. The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.

The Remuneration and Nomination Committee's key responsibilities are:

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

The nomination of board members to be considered at the annual general meeting of shareholders is the responsibility of the board as a whole and Hulamin believes it is appropriate in its circumstances that the majority of the directors on the committee are not independent, and that the board Chairman does not act as chairman of this committee.

Transformation Committee

The Transformation Committee in 2011 consisted of an equal number of non-executive and executive directors of whom the Chairman is an independent director. Its members are: L C Cele (Chairman), J B Magwaza, R G Jacob and M Z Mkhize. T K Mshengu (Human Resources executive) and F B Bradford (executive for marketing and commercial activities) attend committee meetings by invitation.

N Mthembu (Communications Manager) is the secretary of this committee. The committee normally meets three times a year. The responsibilities of the committee are set out in written terms of reference, and are reviewed periodically. The Transformation Committee's key responsibilities in 2011 were:

- Recommend to the board the strategies and policies to be adopted to ensure the group's transformation targets are achieved;
- Align the group's transformation strategy with its overall business strategy; and
- 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.

To comply with the Companies Act, the board resolved that the terms of reference of the Transformation Committee be expanded to include those prescribed in terms of the Companies Act for a social and ethics committee and to amend its name to the Transformation, Social and Ethics Committee with effect from 1 January 2012.

The board resolved to appoint N N A Matyumza and S P Ngwenya to the Transformation, Social and Ethics Committee with effect from 1 January 2012.

Group executive committees

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

Executive Committee

The Executive Committee consists of the executive directors and other senior executives. The current members are: R G Jacob (Chairman), F B Bradford, C D Hughes, C J Little, M Z Mkhize, H T Molale, T K Mshengu and P A Taljaard.

The Company Secretary, W Fitchat is the secretary of this committee. The committee normally meets on a monthly basis.

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

The Executive Committee's key responsibilities are:

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

Risk Management Committee

The members of the Risk Management Committee are drawn from the group's senior executives. The current members are: C D Hughes (Chairman), F B Bradford, R G Jacob, A P Krull, C J Little, M Z Mkhize, H T Molale, T K Mshengu and P A Taljaard. The Company Secretary, W Fitchat is the secretary of this committee. The committee normally meets four times a year.

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

The Risk Management Committee's key responsibilities in 2011 were:

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

Employment Equity Committee

The Employment Equity Committee members are drawn from the group's senior managers. Its current members are: R G Jacob (Chairman), F B Bradford, V Dukhee, C D Hughes, M A Janneker, C J Little, M M F Mabe, H T Molale, M Z Mkhize, T K Mshengu, N Mthembu, R N Nyandeni and PA Taljaard. M A Janneker (Human Resources Manager) is the secretary of this committee. The committee normally meets four times a year.

The Employment Equity Committee's key responsibilities are:

- Formulate strategy, policies and targets related to employment equity;
- Monitor the implementation of the agreed strategies for employment equity; and
- Involve a diverse range of employees in employment equity decision making.

Safety, Health and Environment Committee

The Safety, Health and Environmental (SHE) Committee members are drawn from the group's senior managers. The current members are: R G Jacob (Chairman), M Aldworth, F B Bradford, B Henderson, M Z Mkhize, T K Mshengu and P A Taljaard. The Company Secretary, W Fitchat, is the secretary of this committee. The committee normally meets on a quarterly basis.

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

- Review SHE performance;
- Review major SHE risks;
- Monitor actions to reduce SHE related risks;
- Identify new or emerging risks related to SHE; and
- Review of the internal controls to manage SHE risks.

Stakeholder relationships

Hulamin subscribes to the principles on stakeholder management expressed in the King III Code. Management has developed a strategy and formulated policies for the management of relationships with each stakeholder grouping, which will be further developed in 2012 to formulate an integrated approach to stakeholder management within the group to strive for consistency and balance in treatment across stakeholder categories.

The group communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meets with investors and institutional stakeholders on a one-to-one basis.

The group website (www.hulamin.co.za) is also used for this purpose.

Hulamin invites all shareholders to attend its annual general meeting and also facilitates participation by way of focused proxy solicitation.

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

Access to information

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

During 2011, the Hulamin group received no requests for access to a record under the Promotion of Access to Information Act, 2000.

Code of ethics

The group's code of ethics requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business and also outlines the group's position on gifts and entertainment. The code of ethics has been actively endorsed by the board and distributed to all employees in the group.

The code is designed to raise ethical awareness, act as a guide in day-to-day decisions and to assure customers and other stakeholders of the group's commitment to ethical behaviour.

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

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

Political donations

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

Whistle-blowing

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

Contact details of the Vuvuzela Ethics Line are as follows:

Toll free number: 080 225 5688
E-mail: Hulamin@hotline.co.za
Website: www.thehotline.co.za

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

Price-sensitive information

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

Compliance framework

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

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

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

Competition Commission's investigation of pricing practices within the extrusion industry

On 12 December 2011, the Competition Commission requested information from the aluminium extrusion industry covering pricing practices and pricing strategies, and details of the cost structures of the businesses of Hulamin Extrusions and Hulamin Building Systems.

The company intends complying fully with the Commission's request for information.

REMUNERATION PHILOSOPHY AND POLICY

Introduction

The major aim of the reward structures is to enable Hulamin to attract, motivate and retain the best talent as part of an integrated human resources strategy which supports the achievement of Hulamin's strategies and goals. The reward philosophy, policy and strategies also serve to align the interests of management and shareholders and are clearly communicated to employees concerned.

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

Guaranteed and 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 results (e.g. no gratuitous windfalls or penalties as a result of commodity price or currency fluctuations).

Remuneration and Nomination Committee (REMCO)

The role, structure and composition of REMCO is covered in the section on Corporate Governance.

The major guidelines that support the application of the reward philosophy are outlined below.

Structure of packages

The structure of remuneration packages supports business needs, is market related and competitive. To this end market surveys are conducted annually and appropriate action is taken to ensure that pay levels, structures, composition and mix are in line with market trends generally as well as industry specific trends where relevant. The appropriate mix between guaranteed and variable pay as well as short, medium and long-term elements of compensation are reviewed from time to time taking market trends into consideration.

Guaranteed pay

Employees' guaranteed pay generally consists of basic salary plus company contributions towards retirement funding and health benefits. Regular benchmark exercises are conducted to compare the guaranteed pay of Hulamin employees with selected appropriate companies.

It is recognised that market premiums may be necessary from time to time to attract and retain scarce skills and members of designated groups.

Annual cash salary increases for individuals are determined by taking into account an individual's pay relative to the market as well as his/her performance and anticipated future value to the business.

Variable pay

Executive directors and senior managers participate in the company's performance bonus scheme.

The bonus scheme consists of five different levels. The maximum percentage of cash salary payable under the five levels is capped at 65% for the Chief Executive Officer, 50% for executives, between 30% and 40% for senior management and 20% for middle management employees.

The primary purpose of the bonus scheme is to serve as a short-term incentive to motivate a common drive towards performance.

The annual performance incentive bonus scheme is based on a combination of the achievement of corporate financial targets, and an element for individual performance both of which are determined annually. The financial targets are related to the budgets of Hulamin as a whole as well as individual operations. All financial targets have an upper and a lower limit, at which 100% or 0% of the bonus is paid respectively.

As a general guideline, the payment of bonuses for each component of the respective awards is determined as independent from the other components.

Incremental changes to the bonus scheme may be considered from year to year to bring about gradual improvements taking into account experience from the previous year as well as market developments and trends.

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

Long-term incentives

The company's long-term incentives consist primarily of share incentive schemes.

The variable component of Hulamin's remuneration packages are structured to include long-term incentives for executives and senior management that are in line with the market, aligned to company performance and takes into account the accounting cost, as well as prevailing taxation provisions. To this end, base pay and annual bonus are complemented by share-based schemes which are based on international best practice in the form of a Share Appreciation Right Scheme (SARS), a performance-based Long Term Incentive Plan (LTIP) and a Deferred Bonus Plan (DBP).

Under the LTIP and the SARS, rights or shares are offered to eligible executives and senior managers in the form of performance-based conditional awards. A portion of LTIP awards do not bear performance conditions

The performance conditions governing the vesting of the above-mentioned scheme instruments are related to growth in earnings per share, share price, total shareholder return and return on capital employed, relative to targets that are intended to be challenging but achievable. Targets are linked, where applicable, to the company's medium-term business plan, over three-year performance periods. Grants are set on an annual basis considering the position held by the participating employee, their individual performance, and the expected combined value of the awards.

The DBP is offered to selected executives and managers to encourage share ownership in Hulamin and the retention of key executives. Where a DBP is offered, the employee may elect to utilise a percentage of their annual bonus to purchase company shares. If the employees remains employed for the full period, the employee will receive a grant by the company of one extra share for each share pledged and held.

As a general guideline, eligible managers may be granted annual awards of shares under the SARS and LTIP with a face value of a percentage of an average cash salary for the grade. The quantum of grants offered is based on the individual's performance rating and market benchmarks in line with prevailing local and international best practice.

The percentage of the performance bonus that may be granted to eligible individuals in the form of company shares in terms of the DBP, is also determined by the Remuneration and Nomination Committee at its discretion on an annual basis taking into account prevailing circumstances.

The unbundling and listing of Hulamin in 2007 created an opportunity to conclude a Black Economic Empowerment (BEE) transaction and agreements were concluded to facilitate a 15% interest in Hulamin by the BEE partners, of which 5% is in respect of the Hulamin employee share ownership plan (ESOP) and the Hulamin management share ownership plan (MSOP)

As Hulamin values its employees as key contributors to both the historic and ongoing performance and success of the Hulamin business, Hulamin invited all permanent South African-based employees up to middle management of whom approximately 90% are black, and all permanent South Africa black senior and selected Hulamin management to participate in the BEE transaction through the ESOP and MSOP.

The participation was developed with the following overall objectives in mind:

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

The ESOP scheme consists of a share appreciation scheme, whereby participants share in 50% of the dividends payable to ordinary shareholders. The MSOP scheme consists of two components, namely a share appreciation right scheme and a share grant scheme. The value of the benefits in the MSOP scheme are capped at a level of 10% compounded growth per year.

Prior to the listing and unbundling of Hulamin in 2007, selected executives and managers were participants of Tongaat Hulett administered share option and right schemes. Post unbundling, Hulamin is obliged to settle all benefits held by Hulamin participants in the Tongaat Hulett share option and right schemes using Hulamin shares. This has been covered in more detail in note 30.1 to the annual financial statements.

Other benefits

Membership of the Hulamin Defined Pension Fund (with effect from 1 November 2010) is compulsory for all senior management and disability and life insurance benefits are also provided to members of the fund. Medical aid benefits and a gratuity at retirement are also provided.

Termination conditions for executives

The Chief Executive Officer and executives are subject to a three-month and two-month notice period respectively. Hulamin reserves the right to terminate an executive's employment without notice, for any cause recognised sufficient by law. Executive employment does not allow for payment on termination arising from executive failure or for balloon payments. In the event of early termination there is no automatic entitlement to bonuses or share-based incentives.

There is no automatic severance compensation to executives in the case of retrenchment due to a change of control.

Payments could be considered in order to retain key executives during a period of uncertainty.

Non-executive directors' remuneration

Non-executive directors receive fees for their services on the board and board committees. Director's fees comprise a fixed element which is paid for holding the office of director, and a variable element which is linked to attendance at regular scheduled meetings of the board and/or subcommittees.

Fees for non-executive directors are reviewed on an annual basis taking relevant external market data into account. Fees are recommended by the Remuneration and Nomination Committee and are submitted to the board and the shareholders for approval at each annual general meeting.

Non-executive directors do not participate in the group's performance incentive bonus plan or share incentive schemes.

J B Magwaza and S P Ngwenya, through their interests in Imbewu Consortium and Makana Investment Corporation respectively, are participants in the Hulamin BEE entity (see page 114 for further details on the Hulamin BEE equity transaction).

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

Financial statements
for the year ended 31 December 2011

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

The directors are responsible for the preparation and integrity of the annual financial statements of the company and the group, which have been prepared in accordance with International Financial Reporting Standards and applicable legislation, under the supervision of the Chief Financial Officer, C D Hughes CA (SA).

In preparing the financial statements, the company and the group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and have complied with all applicable accounting standards. The directors are of the opinion that the financial statements fairly present the financial position of the company and the group at 31 December 2011 and the results of their operations for the year then ended. The directors have considered the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and are of the opinion that the company and the group will continue as a going concern.

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

Based on the results of a formal documented review of Hulamin's system of internal controls and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing has come to the attention of the directors which indicates that, in all material aspects, Hulamin's system of internal controls and risk management are not effective and that the internal financial controls do not form a sound basis for the preparation of reliable financial statements. The opinion of the directors is supported by the Audit and Risk Committee.

The company's independent external auditors, PricewaterhouseCoopers, have audited the financial statements and their unqualified report appears on page 68.

The annual financial statements as set out on pages 69 to 124 were approved by the board of directors on 16 February 2012 and are signed on its behalf by:

Mafika Mkwanazi
Chairman

Richard Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
16 February 2012

Certificate by Company Secretary

In terms of section 88 of the Companies Act, No 71 of 2008, I certify that, to the best of my knowledge and belief, the company has lodged with the Companies and Intellectual Property Commission for the financial year ended 31 December 2011, all such returns as are required of a public company in terms of the aforesaid Act, and that all such returns are true, correct and up to date.

W Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
16 February 2012

Report of the Audit and Risk Committee

Introduction

The Audit and Risk Committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the committee by the board of directors of the company.

The committee has conducted its affairs in compliance with a board approved terms of reference, and has discharged its responsibilities contained therein.

Membership

Details of membership of the committee, evaluation of its effectiveness and attendance at committee meetings is available in the Corporate Governance section.

Role and responsibilities

The role and responsibilities of the committee include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the board. The committee executed its duties in terms of the requirements of King III.

The key responsibilities of the committee are as follows:

- Ensuring the integrity of the financial reporting process, including sound systems of internal control and financial risk management;
- Review of Integrated Annual Reports, Interim Reports and other financial announcements, including the accounting principles and policies adopted therein and compliance to JSE regulations;
- Monitor the performance and effectiveness of the external auditors and evaluate the qualifications, expertise, resources, fees, scope of work and independence of the external auditors prior to recommending their appointment to the board and shareholders;
- Approve the internal audit work plan and oversee the conduct of the internal audit and the implementation of internal control enhancements;
- Pre-approve in terms of the policy for non-audit services any non-audit services provided by the external auditors;
- Consider the appropriateness of the expertise, resources and experience of the financial function and of the Chief Financial Officer;
- Approve the appointment of an external assurance provider in respect of the sustainability report;
- Ensure the development and implementation of a policy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management and control processes within the group;
- Perform statutory duties in terms of the Companies Act, No 71 of 2008 as amended (Companies Act), as well as to report to the shareholders in respect of the financial year including those matters in terms of section 94(7)(f) of the Companies Act; and
- Ensure that the combined assurance model introduced by the King III Code is applied to provide a coordinated approach to assurance activities.

Performance of duties

The Audit Committee is satisfied that it complied with its legal, regulatory or other responsibilities.

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, 2008, 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, 2008, and any other legislation relating to the appointment of auditors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2011 year as disclosed in note 17.1 of the financial statements of the group and note 5.1 of the financial statements of the company.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. The committee pre-approved all engagements for the provision of non-audit services by the external auditor, in terms of the established policy for non-audit services.

The committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers as the external audit firm and Mr H Ramsumer as the designated auditor responsible for performing the functions of auditor, for the 2012 year. The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

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, nothing has come to the attention of the committee which indicates that, in all material aspects, Hulamin's system of internal financial controls were not operating effectively during the year under review.

This written assessment by internal audit formed the basis for the committee's recommendation in this regard to the board, in order for the board to report thereon. The board opinion on the effectiveness of the system of internal controls and risk management is included on page 65. The committee supports the opinion of the board in this regard.

Whistle-blowing

The committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters.

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 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) Limited to perform an assurance engagement on key performance indicators included in the company's 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.

A combined assurance model has been developed, the implementation thereof commenced in 2011 and good progress has been made with the implementation thereof. 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, internal and external assurance providers.

The committee has, at its meeting held on 13 February 2012, recommended the integrated report for approval by the board of directors.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and has made recommendation to the board in this respect. The board's statement on the going concern status of the company, as supported by the committee, is detailed on page 65.

Governance of risk

The board has assigned oversight of the company's risk management function to the committee. The committee has satisfied itself that the following areas have been appropriately addressed: financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

Internal audit

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

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

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

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

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

The committee has satisfied itself that the Chief Financial Officer has appropriate expertise and experience.

The committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function.

T P Leeuw

Chairman of the Audit and Risk Committee

16 February 2012

Report of the independent auditors

To the shareholders of Hulamin Limited

We have audited the consolidated annual financial statements and annual financial statements of Hulamin Limited which comprise the consolidated and separate balance sheets as at 31 December 2011, and the consolidated income statement, consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity, and consolidated and separate cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes, and the directors' report, as set out on pages 69 to 124.

Directors' responsibility for the financial statements

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulamin Limited as at 31 December 2011, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.
Director: H Ramsumer
Registered Auditor

Durban, KwaZulu-Natal
16 February 2012

Dear shareholder

The directors have pleasure in presenting their annual report which forms part of the annual financial statements of the company and the group for the year ended 31 December 2011.

Nature of business

The Hulamin group consists of two operations: Hulamin Rolled Products and Hulamin Extrusions. Their activities are dealt with separately in the annual integrated report.

Financial results

The net profit attributable to shareholders of the group for the year ended 31 December 2011 amounted to R79 676 000 (2010: R73 248 000). This translates into a headline earnings per share of 25 cents (2010: 27 cents) based on the weighted average number of shares in issue during the year.

The financial statements on pages 69 to 124 set out the financial position, results of operations and cash flows of the group and company for the financial year ended 31 December 2011.

Dividends

No interim or final dividends for the year ended 31 December 2011 were declared.

Share capital

There were the following changes in the authorised share capital of the company in the year ended 31 December 2011:

- At a general meeting held on the 24 February 2011, shareholders approved special resolutions to increase the authorised share capital of R85 500 000 to R87 300 000 by the creation of 11 000 000 A ordinary par value shares of 10 cents each and 7 000 000 B1 ordinary par value shares of 10 cents each. This enabled the issue of further A and B shares to the existing A and B class shareholders to put them in a similar economic and voting position as they were in prior to the rights issue in June 2010;
- On 30 June 2011, 11 235 471 A ordinary par value shares of 10 cents each, 2 197 700 B1 ordinary par value shares of 10 cents each and 63 540 B3 ordinary par value shares of 10 cents each, were issued to A and B class shareholders; and
- During the year, 323 665 (2010: 590 285) ordinary par value shares of 10 cents each were issued in terms of employee share schemes which existed at the time of the unbundling of the company from Tongaat Hulett Limited (no shares were issued to directors). This resulted in the total issued ordinary share capital (including A ordinary shares and B ordinary shares) rising to R36 695 173, or 366 951 727 ordinary par value shares of 10 cents each.

Details of the unissued ordinary shares and the group's share incentive schemes are set out in pages 90 and 107 to 114.

The authorised share capital at 31 December 2011 consisted of 800 000 000 ordinary par value shares of 10 cents each, 45 000 000 A ordinary par value shares of 10 cents each, 15 000 000 B1 ordinary par value shares of 10 cents each, 10 000 000 B2 ordinary par value shares of 10 cents each, and 3 000 000 B3 ordinary par value shares of 10 cents each.

Employee share schemes

Shareholders will be asked to consider an ordinary resolution at the forthcoming annual general meeting to adopt amendments to the Hulamin Long Term Incentive Plan 2007.

The amendments to the share schemes, which have been approved by the JSE, are being made to allow for the making of conditional awards that are partly subject to performance conditions, or not subject to any performance conditions. The company has elected to use this amendment to the share scheme to serve as a tool to address retention.

Subsidiary companies

The principal subsidiaries of the group are reflected in note 31 of the group financial statements.

Special resolutions adopted by subsidiaries and joint ventures of Hulamin Limited during 2011

Joint venture: Cyndara 193 (Pty) Limited

(Registration number: 2011/005302/07)

The following special resolution was passed effective 14 December 2011.

Number 1: The name of the company was changed to HBS Aluminium Systems (Pty) Limited.

Directorate

Brief curricula vitae of the directors appear on pages 32 and 33. Details of directors' remuneration appear on pages 100 to 101 of this report.

Mr G Pretorius and Mr G H M Watson were appointed to the board by shareholders effective 1 August 2011.

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

Directors retiring at the annual general meeting in accordance with the memorandum of incorporation are:

Ms L C Cele, Ms N N A Matyumza and Mr S P Ngwenya. The Remuneration and Nomination Committee, at its meeting on 2 February 2012, recommended that they be re-elected and, all being eligible, offered themselves for re-election.

Directors' and prescribed officers' shareholdings

At 31 December 2011, the present directors and prescribed officer of the company beneficially held a total of 185 983 ordinary par value shares equivalent to 0,059 percent in the company (2010: 325 266 ordinary par value shares, equivalent to 0,102 per cent, were held by directors). Their associates also held a total of 11 700 ordinary par value shares equivalent to 0,004 percent in the company (2010: 11 700 ordinary par value shares equivalent to 0,004 per cent were held by associates of the directors). Details of the directors' and prescribed officers' shareholdings and interests in the share incentive schemes are set out in pages 102 to 106.

There has been no change in the directors' and prescribed officers' shareholdings between 31 December 2011 and 16 February 2012.

Holding company

Hulamin Limited has no holding company at 31 December 2011.

Auditors

PricewaterhouseCoopers continued as auditors of Hulamin Limited and its subsidiaries. At the annual general meeting of 7 May 2012, shareholders will be requested to appoint PricewaterhouseCoopers as auditors of Hulamin Limited for the 2012 financial year and it will be noted that Mr H Ramsumer 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 on the inside back cover.

Post balance sheet events

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

Approval

The annual financial statements of the group and company set out on pages 69 to 124 have been approved by the board. Signed on behalf of the board of directors by:

Mafika Mkwanazi
Chairman

Richard Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
16 February 2012

BASIS OF PREPARATION

1. Compliance with International Financial Reporting Standards (IFRS)

The group (consolidated) and company financial statements are prepared in compliance with IFRS, interpretations of those standards and applicable legislation.

Standards and interpretations affecting current year financial statements

Hulamin has not adopted any new and revised accounting standards in the current year which have affected the amounts or impacted the disclosures reported in the current year group and company financial statements.

Standards and interpretations which do not affect current year financial statements

The following revised accounting standards, which are effective in the current year, do not impact on the current year group or company financial statements, but may affect the accounting for future transactions or arrangements or disclosures in the financial statements:

- *IASB Annual Improvements Project: Improvements to International Financial Reporting Standards 2010 – Various Standards* (various effective dates). These amendments are not anticipated to have a financial impact but may impact disclosures in the financial statements in future.

Standards and interpretations in issue not yet effective

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

- *Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)* (effective from 1 July 2011);
- *Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)* (effective from 1 July 2012);
- *IFRS 9 – Financial Instruments* (effective from 1 January 2013);
- *IFRS 10 – Consolidated Financial Statements* (effective from 1 January 2013);
- *IFRS 11 – Joint Arrangements* (effective from 1 January 2013);
- *IFRS 12 – Disclosure of Interests in Other Entities* (effective from 1 January 2013);
- *IFRS 13 – Fair Value Measurement* (effective from 1 January 2013);
- *IAS 19 – Employee Benefits (amended 2011)* (effective from 1 January 2013);
- *IAS 27 – Separate Financial Statements (2011)* (effective from 1 January 2013); and
- *IAS 28 – Investments in Associates and Joint Ventures (2011)* (effective from 1 January 2013).

The group intends to comply with these standards from the effective dates. Adoption of these standards by the group in future reporting periods is not expected to have a significant impact on the financial statements of the group or company, apart from the potential application of IAS 19. IAS 19 eliminates the option to defer the recognition of actuarial gains and losses. These re-measurements will be required to be presented in other comprehensive income in full.

2. Underlying concepts

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

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

Assets and liabilities and income and expenses are not offset unless specifically permitted by an accounting standard.

Financial assets and financial liabilities are offset and the net amount reported only when a currently legally enforceable right to set off the amounts exists and the intention is either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

3. Judgements made by management

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

BASIS OF PREPARATION continued

4. Recognition of assets and liabilities

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

Financial instruments are recognised when the company becomes a party to the contractual provisions of the instrument.

Financial assets are recognised based on trade dates.

5. Derecognition of assets and liabilities

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

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

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

6. Foreign currencies

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

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

7. Hedge accounting

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness.

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

A cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss. The portion of the gain or loss on the hedging instrument in a cash flow hedge that is determined to be effective is recognised directly in other comprehensive income, whilst the ineffective portion is recognised in the income statement.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses previously recognised in other comprehensive income and accumulated in equity are recognised in the income statement in the same period in which the asset or liability affects the income statement.

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

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised when, for cash flow hedges, the forecast transaction is no longer expected to occur or when the hedge designation is revoked.

The hedging reserve accumulates all movement in the fair value of financial instruments designated as hedges of transactions that have yet to be recognised on the balance sheet. When the underlying transaction is recognised, the related accumulated hedging reserve is released to the income statement.

8. Post balance sheet events

Recognised amounts in the financial statements are adjusted to reflect events arising after the balance sheet date that provide evidence of conditions that existed at the balance sheet date.

9. Comparative figures

Comparative figures are restated in the event of a change in accounting policy, prior period error or change in presentation or classification of items in the financial statements.

10. Segment reporting

The group determines and reports operating segments based on internal information that is provided to the Hulamin Executive Committee, which is the group's most senior operating decision-making body.

BASIS OF CONSOLIDATION

11. Subsidiaries

Subsidiaries are all entities (including special-purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements incorporate the assets, liabilities, income, expenses and cash flows of the subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the group exercises control, or up until the point it ceases to exercise control. Inter-company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

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

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.

12. Associates

Associates are accounted for using the equity method from the date on which they become an associate. The use of the equity method is discontinued from the date that the group ceases to have significant influence over an associate.

13. Joint ventures

The group accounts for joint ventures using the equity method of accounting where the investment is carried at cost plus post-acquisition changes in the group's share of net assets of the joint venture, less any provision for impairment.

14. Business combinations

Business combinations – IFRS 3

The cost of an acquisition, which is within the scope of IFRS 3 – Business Combinations, is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Acquisition related costs are expensed as incurred.

Any excess of the cost over the group's share in the fair value of the assets, liabilities and contingent liabilities acquired is recognised as goodwill and any excess of the fair value of the assets, liabilities and contingent liabilities over the cost is recognised in the income statement.

Business combinations – common control transactions

Common control transactions are accounted for using the predecessor values method. Application of the predecessor values method results in the recording of the transaction and the results of operations as if it had taken place at the beginning of the earliest period presented.

The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the controlling shareholder's consolidated financial statements. The predecessor values are adjusted to ensure uniform accounting policies.

The difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity are recorded as an adjustment to retained earnings.

ASSETS

15. Property, plant and equipment

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

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

Depreciation is calculated so as to write off the depreciable amount of the assets, other than land, over their estimated useful lives, using a method that reflects the pattern in which the asset's future economic benefits are expected to be consumed by the entity. Depreciation is charged from the dates the assets are available for use. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term, unless ownership is expected to transfer, in which case this will be over the useful life.

Where the useful lives of significant parts of an item are different from the item itself, these parts are depreciated over their useful lives.

The methods of depreciation, useful lives and residual values are reviewed annually.

Gains and losses on disposals are recognised within other income/expenses in the income statement.

16. Intangible assets

The group's only intangible asset is computer software. Research costs are expensed when incurred. Software license and development costs are capitalised, provided that all the asset recognition criteria are met, and amortised over their useful lives.

ASSETS continued

17. 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 costs to sell and value in use. Value in use is estimated based on discounted future cash flows expected to be derived from an asset or cash-generating unit.

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

If an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in the income statement.

18. Leasing

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

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

Finance leases are recognised as assets and liabilities at the lower of the fair value of the asset and the present value of the minimum lease payments at the date of acquisition, being payments over the lease term, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor including any amounts guaranteed by the company or by a party related to the company.

Finance costs represent the difference between the total leasing commitments and the fair value of the assets acquired. Finance costs are charged to the income statement over the term of the lease at interest rates applicable to the lease on the remaining balance of the obligations.

Rentals payable under operating leases are recognised in the income statement on a straight-line basis over the term of the relevant lease or another basis if more representative of the time pattern of the user's benefit.

19. Inventories

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

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

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

20. Financial assets

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

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

Financial assets classified as held-to-maturity financial assets are measured at amortised cost less any impairment losses recognised to reflect irrecoverable amounts.

Loans and receivables, which include trade receivables, are measured at amortised cost less impairment losses, which are recognised in the income statement. The fair value of loans and receivables approximate their carrying value.

Available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income. Fair value, for this purpose, is market value if listed or a value arrived at by using appropriate valuation models if unlisted. Cumulative gains and losses, including that deferred in equity, are recognised in the income statement on impairment. Any reversal of impairment losses on equity instruments is recognised directly in equity.

Financial assets carried at amortised cost are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In particular, the trade receivables provision is established where there is objective evidence that the group will not collect all amounts due according to the original terms of receivables.

The fair value of derivative assets is calculated as the difference between the contracted value and the value to maturity at the balance sheet date. The value to maturity of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The value to maturity of commodity futures is determined by reference to quoted prices at the balance sheet date. The value to maturity of interest rate swaps is determined by reference to quoted swap rates at the balance sheet date.

ASSETS continued

21. Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Upon initial classification as held for sale, non-current assets and disposal groups are recognised at the lower of carrying amount and fair value less cost to sell.

22. Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents includes cash on hand and deposits held with banks. In the balance sheet and cash flow statement bank overdrafts are included in borrowings.

23. Contingent assets and liabilities

Contingent assets and liabilities are not recognised, although contingent liabilities are disclosed.

EQUITY AND LIABILITIES

24. Equity

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

25. Consolidated shares

Consolidated shares represent the A class ordinary shares issued to the BEE investors and the B class ordinary shares issued to the ESOP and MSOP share trusts.

26. Deferred tax

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

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

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

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

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

27. Financial liabilities

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

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

Financial liabilities (excluding liabilities designated in a hedging relationship) that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost.

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

28. Employment benefit obligations

Pension obligations

The group provides retirement benefits to employees in the form of both defined contribution and defined benefit plans. The assets of these schemes are held separately from those of the group and are administered and controlled by trustees.

Contributions to defined contribution schemes are charged to profit or loss when incurred. The group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current or prior periods.

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out at the end of each reporting period. Actuarial gains and losses, at the beginning of the year, are recognised in the income statement over the lesser of ten years or the employees' average remaining working lives.

The defined benefit asset or liability recognised in the balance sheet comprises the present value of the defined benefit obligation, as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and as reduced by the fair value of plan assets. The value of an asset recognised is restricted to the sum of the unrecognised past-service costs and unrecognised actuarial losses and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions.

EQUITY AND LIABILITIES continued

28. Employment benefit obligations continued

Post-retirement medical aid benefits and retirement gratuities

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis, being present value of future liability, for services rendered to date. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

Employee benefit costs

The cost of short-term employee benefits, including the expected cost of short-term accumulating compensated absences, is recognised in the income statement in the period in which the service is rendered and is not discounted.

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

29. Shareholders for equity dividends

Dividends to equity holders are only recognised as a liability when declared and are included in the statement of changes in equity. Secondary tax on companies in respect of such dividends is recognised as a liability when the dividends are recognised as a liability and are included in the tax charge in the income statement.

30. Provisions

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

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

INCOME STATEMENT

31. Revenue

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

Revenue of the group comprises revenue from the sale of goods. Revenue of the company comprises interest income and management and agency fees.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer, and is shown net of returns, rebates and discounts, and after eliminating sales within the group.

Management and agency fees are recognised as the services are performed.

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

32. 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.

33. Taxation

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

34. Share-based payments

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

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

For those schemes where the group purchases shares (or where in the past Tongaat Hulett has purchased shares) in order to settle the benefit granted, any cost in excess of the fair value of the benefit granted is recognised in equity.

The transaction for the introduction of broad-based BEE investors will result in the participants acquiring Hulamin Limited shares and is accounted for as an equity-settled share-based payment. The fair value of the transaction at the grant date was expensed in 2007. Fair value was determined using a Monte Carlo valuation model.

SOURCES OF ESTIMATION UNCERTAINTY

35. Sources of estimation uncertainty

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

Useful lives and residual values of assets

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

Post-employment benefit obligations

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

Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 30 of the group financial statements.

Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 2 to 4 of the group financial statements, and note 1 of the company financial statements, were estimated at period end in terms of IAS 36. It was determined that no impairment of the carrying values of these assets would be required.

The key assumptions used to determine the recoverable amount of the relevant assets (or cash-generating units) are as follows:

- **Margins** – Based on internal market forecasts which take into account margins for the current year and anticipated changes in market conditions, adjusted for inflation in the group's target markets and the estimated mix of products sold. As changes in rolling margins have a direct impact on earnings, recoverable amounts are particularly sensitive to changes in this assumption;
- **Sales volumes** – Based on internal market forecasts which take into account estimated production capacity and market demand;
- **Currency exchange rates** – Based on consensus forecasts of the major South African financial institutions;
- **Aluminium price** – Based on internal market forecasts which take into account the US Dollar aluminium price at the reporting date, changes in the Rand/Dollar exchange rate and US inflation forecasts;
- **Discount rate** – The weighted average cost of capital is based on independent market data, except for the share beta which is derived from an appropriate basket of proxy companies; and
- **Supplies of raw material** – Aluminium, in the form of melting ingot and rolling slab, is procured from the local producer, BHP Billiton. The company casts the majority of its own rolling slab and sources the balance from BHP Billiton. The external supply is assumed to continue to enable the company to reach its planned volume and mix targets in the optimum manner.

The above key assumptions relating to margins, sales volumes, currency exchange rates, aluminium prices and raw material supplies, employed in the determination of the recoverable amounts of the relevant assets (or cash-generating units), are consistent with those used in the budgets and medium-term forecasts considered by the directors in assessing the future performance of the group.

Group balance sheet
as at 31 December 2011

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	2	**4 915 087**	4 989 646
Intangible assets	3	**47 499**	33 346
Investments in associates and joint ventures	4	**40 581**	51 887
Retirement benefit asset	24	**37 615**	73 819
Deferred tax asset	5	**21 225**	22 102
		5 062 007	5 170 800
Current assets			
Inventories	6	**1 306 702**	1 189 929
Trade and other receivables	7	**1 069 739**	792 357
Derivative financial assets	8	**60 747**	180 247
Cash and cash equivalents	9	**19 900**	24 439
		2 457 088	2 186 972
Total assets		**7 519 095**	7 357 772
EQUITY			
Share capital and share premium	10	**1 727 643**	1 728 830
BEE reserve		**174 686**	174 686
Employee share-based payment reserve		**105 750**	91 219
Hedging reserve		**8 322**	38 840
Retained earnings		**2 653 224**	2 575 959
Total equity		**4 669 625**	4 609 534
LIABILITIES			
Non-current liabilities			
Non-current borrowings	11	**628 284**	627 759
Deferred tax liability	12	**940 205**	941 260
Retirement benefit obligations	13	**169 740**	147 909
		1 738 229	1 716 928
Current liabilities			
Trade and other payables	14	**816 251**	607 917
Current borrowings	15	**200 325**	355 077
Derivative financial liabilities	8	**94 360**	66 971
Income tax liability		**305**	1 345
		1 111 241	1 031 310
Total liabilities		**2 849 470**	2 748 238
Total equity and liabilities		**7 519 095**	7 357 772

Group income statement

for the year ended 31 December 2011

		Notes	2011 R'000	2010 R'000
Revenue			**6 957 080**	5 808 667
Cost of sales		17	**(6 398 110)**	(5 260 954)
Gross profit			**558 970**	547 713
Other gains and losses		16	**33 610**	71 744
Selling and marketing expenses		17	**(355 282)**	(312 113)
Administrative and other expenses		17	**(67 353)**	(89 111)
Operating profit			**169 945**	218 233
Net finance costs		18	**(61 910)**	(116 923)
Share of profits of joint ventures			**1 187**	2 654
Profit before tax			**109 222**	103 964
Taxation		19	**(29 546)**	(30 716)
Net profit for the year attributable to equity holders of the company			**79 676**	73 248
Earnings per share attributable to equity holders of the company		20		
Basic	(cents)		**25**	26
Diluted	(cents)		**25**	26

Group statement of comprehensive income

for the year ended 31 December 2011

	2011 R'000	2010 R'000
Net profit for the year attributable to equity holders of the company	**79 676**	73 248
Other comprehensive (loss)/income for the year	**(30 518)**	39 362
Cash flow hedges transferred (from)/to income statement	**(53 944)**	725
Cash flow hedges created	**11 558**	53 944
Income tax effect	**11 868**	(15 307)
Total comprehensive income for the year attributable to equity holders of the company	**49 158**	112 610

Group statement of changes in equity

for the year ended 31 December 2011

	Share capital R'000	Share premium R'000	Consolidated shares R'000	Hedging reserve R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2009	25 254	1 059 084	(91 783)	(522)	74 097	174 686	2 503 463	3 744 279
Net profit for the year	–	–	–		–	–	73 248	73 248
Other comprehensive income: cash flow hedges net of tax	–	–	–	39 362	–	–	–	39 362
Shares issued	10 059	726 216	–	–	–	–	–	736 275
Value of employee services (note 17.1)	–	–	–	–	20 355	–	–	20 355
Settlement of employee share incentives	–	–	–	–	(3 233)	–	(792)	(4 025)
Tax on employee share incentives	–	–	–	–		–	40	40
Balance at 31 December 2010	35 313	1 785 300	(91 783)	38 840	91 219	174 686	2 575 959	4 609 534
Net profit for the year	–	–	–		–	–	79 676	79 676
Other comprehensive loss: cash flow hedges net of tax	–	–	–	(30 518)	–	–	–	(30 518)
Shares issued (note 10.2)	1 382	449	–	–	–	–	–	1 831
Consolidated A and B class shares	–	–	(3 018)	–	–	–	–	(3 018)
Value of employee services (note 17.1)	–	–	–	–	17 125	–	–	17 125
Settlement of employee share incentives	–	–	–	–	(2 594)	–	(1 533)	(4 127)
Tax on employee share incentives	–	–	–	–	–	–	(878)	(878)
Balance at 31 December 2011	**36 695**	**1 785 749**	**(94 801)**	**8 322**	**105 750**	**174 686**	**2 653 224**	**4 669 625**

Group cash flow statement

for the year ended 31 December 2011

	Notes	2011 R'000	2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated before working capital changes	22	**561 620**	343 804
Changes in working capital	23	**(188 839)**	(244 532)
Cash generated from operations		**372 781**	99 272
Net interest paid		**(65 933)**	(136 596)
Income tax payment		**(19 774)**	(16 408)
Net cash inflow/(outflow) from operating activities		**287 074**	(53 732)
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(134 449)**	(186 899)
Additions to intangible assets		**(17 495)**	(6 005)
Proceeds on disposal of property, plant and equipment		**–**	3 664
Decrease/(increase) in investment in joint ventures		**16 854**	(38 770)
Net cash outflow from investing activities		**(135 090)**	(228 010)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		**(154 227)**	(490 482)
Shares issued		**1 831**	736 275
Settlement of share options		**(4 127)**	(4 025)
Net cash (outflow)/inflow from financing activities		**(156 523)**	241 768
Net decrease in cash and cash equivalents		**(4 539)**	(39 974)
Cash and cash equivalents at beginning of year		**24 439**	64 413
Cash and cash equivalents at end of year	9	**19 900**	24 439

Index to the notes to the group financial statements

1. OPERATING SEGMENT ANALYSIS

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions. The divisions, which offer different core products, are the basis on which the group reports its primary segment information. The Hulamin Rolled Products segment, which comprises mainly the Hulamin Rolled Products, Hulamin Containers and Hulamin Roofing Solutions businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. Both reportable segments are based and managed in South Africa.

	2011			2010		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group total R'000**	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group total R'000
Revenue						
Segment revenue	**6 217 736**	**739 344**	**6 957 080**	5 191 705	616 962	5 808 667
Inter-segment revenue	**–**	**–**	**–**	–	–	–
Revenue from external customers	**6 217 736**	**739 344**	**6 957 080**	5 191 705	616 962	5 808 667
Operating profit/(loss)	**161 334**	**8 611**	**169 945**	226 868	(8 635)	218 233
Results: charge/(credit)						
Depreciation and amortisation	**179 325**	**30 373**	**209 698**	166 714	26 185	192 899
Impairment of property, plant and equipment	**–**	**3 690**	**3 690**	–	–	–
Interest received	**(1 597)**	**–**	**(1 597)**	(226)	–	(226)
Interest paid	**60 284**	**3 223**	**63 507**	103 436	13 713	117 149
Taxation	**28 036**	**1 510**	**29 546**	37 050	(6 334)	30 716
Share of joint venture's profit	**(1 187)**	**–**	**(1 187)**	(2 654)	–	(2 654)
Total assets	**7 255 454**	**263 641**	**7 519 095**	7 069 431	288 341	7 357 772
Total liabilities	**2 797 695**	**51 775**	**2 849 470**	2 665 698	82 540	2 748 238
Other disclosures						
Investments in associates and joint ventures	**36 363**	**4 218**	**40 581**	45 734	6 153	51 887
Additions to property, plant and equipment and intangible assets	**129 734**	**22 210**	**151 944**	168 815	24 089	192 904

	2011 R'000	2010 R'000
Analysis of revenue by product market		
Automotive and transport	**823 686**	708 007
Building and construction	**392 742**	404 219
General engineering	**3 086 246**	2 356 190
Packaging	**2 654 406**	2 340 251
	6 957 080	5 808 667
Geographical analysis of revenue		
South Africa	**2 478 267**	2 295 244
North America	**1 536 776**	1 122 081
Europe	**1 328 878**	927 720
Asia	**678 957**	716 028
Middle East	**355 265**	218 219
Australasia	**73 747**	55 626
South America	**454 800**	438 414
Rest of Africa	**50 390**	35 335
	6 957 080	5 808 667

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

Included in revenues arising from the Hulamin Rolled Products segment are revenues of R742 million (2010: R389 million) which arose from sales to the group's largest customer.

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, construction and other R'000	Capital and works under construction R'000
2. PROPERTY, PLANT AND EQUIPMENT					
2011					
At cost					
Balance at beginning of year	**6 531 991**	**906 453**	**5 182 472**	**185 159**	**257 907**
Additions	**134 449**	**–**	**21 730**		**112 719**
Borrowing costs capitalised	**4 023**	**–**	**–**	**–**	**4 023**
Capitalised from capital works under construction	**–**	**24 356**	**121 291**	**17 486**	**(163 133)**
Transfers	**–**	**(6 157)**	**18 001**	**(11 844)**	**–**
Disposals	**(19 448)**	**–**	**(3 717)**	**(15 731)**	**–**
Balance at end of year	**6 651 015**	**924 652**	**5 339 777**	**175 070**	**211 516**
Accumulated depreciation					
Balance at beginning of year	**1 542 345**	**110 401**	**1 332 061**	**99 883**	**–**
Charge for the year (note 17)	**206 356**	**21 426**	**175 448**	**9 482**	**–**
Transfers	**–**	**(2 871)**	**14 441**	**(11 570)**	**–**
Disposals	**(16 463)**	**–**	**(930)**	**(15 533)**	**–**
Balance at end of year	**1 732 238**	**128 956**	**1 521 020**	**82 262**	**–**
Impairment* (note 17)	**3 690**	**–**	**3 690**	**–**	**–**
Carrying value at 31 December 2011	**4 915 087**	**795 696**	**3 815 067**	**92 808**	**211 516**
2010					
At cost					
Balance at beginning of year	6 372 407	901 025	4 810 958	129 256	531 168
Additions	186 899	–	24 057	13 053	149 789
Borrowing costs capitalised	19 673	–	–	–	19 673
Capitalised from capital works under construction	–	5 428	390 505	46 790	(442 723)
Disposals	(46 988)	–	(43 048)	(3 940)	–
Balance at end of year	6 531 991	906 453	5 182 472	185 159	257 907
Accumulated depreciation					
Balance at beginning of year	1 393 129	90 877	1 213 965	88 287	–
Charge for the year (note 17)	190 366	19 524	157 425	13 417	–
Disposals	(41 150)	–	(39 329)	(1 821)	–
Balance at end of year	1 542 345	110 401	1 332 061	99 883	–
Carrying value at 31 December 2010	4 989 646	796 052	3 850 411	85 276	257 907

* *The impairment charge of R3 690 000 in the current year resulted from the closure of the group's Cape Town extrusions manufacturing plant during the year.*

Property, plant and equipment with a book value of R4 812 694 000 (2010: R4 874 811 000) is encumbered as security for borrowing facilities from Standard Bank and Rand Merchant Bank (note 11).

Plant and machinery with a book value of R385 000 (2010: R7 861 000) is encumbered as security for finance lease obligations (note 11).

The weighted average interest rate used for borrowing costs capitalised is 7,3% (2010: 10,6%).

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

The group applied the following methods and rates during the year:

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

		2011 R'000	2010 R'000
3.	**INTANGIBLE ASSETS**		
	Software costs: internally generated and capitalised		
	At beginning of year	**32 972**	29 046
	Additions	**14 964**	3 926
	At end of year	**47 936**	32 972
	Accumulated amortisation:		
	At beginning of year	**5 672**	3 680
	Charge for the year	**2 731**	1 992
	At end of year	**8 403**	5 672
	Carrying value at end of year	**39 533**	27 300
	Software costs: other external		
	At beginning of year	**16 052**	13 973
	Additions	**2 531**	2 079
	At end of year	**18 583**	16 052
	Accumulated amortisation:		
	At beginning of year	**10 006**	9 465
	Charge for the year	**611**	541
	At end of year	**10 617**	10 006
	Carrying value at end of year	**7 966**	6 046
	Total software costs		
	Cost	**66 519**	49 024
	Accumulated amortisation	**19 020**	15 678
	Carrying value at end of year	**47 499**	33 346

Intangible assets are amortised over their useful lives (currently five to fifteen years) on the straight-line basis.

		2011 R'000	2010 R'000
4.	**INVESTMENTS IN ASSOCIATES AND JOINT VENTURES**		
	At beginning of year	**51 887**	10 463
	Impairment reversal	**4 361**	–
	Disposed during the year	**(4 361)**	–
	Acquired during the year	**–**	32 617
	Movement in loans	**(12 088)**	6 505
	Share of profits of joint ventures	**1 187**	2 654
	Change in unrealised profit in closing inventory of joint ventures	**(405)**	(352)
	At end of year	**40 581**	51 887
	Consists of:		
	Loans (note 27)	**4 623**	15 258
	Share of equity	**35 958**	36 629
		40 581	51 887

The above loans are unsecured and have no fixed terms of repayment. Interest is charged at market related rates.

Summary financial information for equity-accounted joint ventures, not adjusted for the percentage ownership held by the group:

	Ownership %	Current assets R'000	Non-current assets R'000	Current liabilities R'000	Non-current liabilities R'000	Revenue R'000	Operating profit R'000
2011							
HBS Aluminium Systems (Pty) Limited	**50**	**68 340**	**2 363**	**14 970**	**–**	**111 269**	**7 546**
		68 340	**2 363**	**14 970**	**–**	**111 269**	**7 546**
2010							
Richards & Barlow (Pty) Limited	50	48 303	5 725	21 819	26 387	89 249	3 842
Cyndara 193 (Pty) Limited, trading as Hulamin Building Systems	50	56 770	2 147	5 053	–	92 876	4 017
		105 073	7 872	26 872	26 387	182 125	7 859

Cyndara 193 (Pty) Limited changed its name during the year to HBS Aluminium Systems (Pty) Limited. Additional details of associates and joint ventures are included in note 31.

Almin Metal Industries, an associate company, operates under severe long-term restrictions on the transfer of funds to the company and has been fully impaired. Therefore, information in respect of its assets, liabilities, revenues and profit or loss has not been disclosed.

		2011 R'000	2010 R'000
5.	**DEFERRED TAX ASSET**		
	At beginning of year	**22 102**	13 899
	Tax (charged)/credited directly to equity	**(61)**	10
	Transfer from deferred tax liability	**–**	1 330
	Income statement		
	Current year (charge)/credit	**(493)**	6 939
	Prior years' charge	**(323)**	(76)
	At end of year	**21 225**	22 102
	Analysis of deferred tax asset		
	Fixed assets	**(15 882)**	(17 389)
	Retirement benefit obligations	**21 819**	20 660
	Other	**96**	68
	Assessed loss	**15 192**	18 763
		21 225	22 102
	Deferred tax asset to be recovered after more than 12 months	**7 771**	14 490
	Deferred tax asset to be recovered within 12 months	**13 454**	7 612
		21 225	22 102

A deferred tax asset has been recognised in respect of a subsidiary of the group which made tax losses in prior years as it is considered probable that there will be sufficient future taxable profits available against which the deferred tax asset can be utilised. The recognition of the deferred tax asset is supported by the company returning to profitability following the disposal of a business that previously generated tax losses.

		2011 R'000	2010 R'000
6.	**INVENTORIES**		
	Raw materials	**325 096**	276 320
	Work-in-progress	**298 704**	327 285
	Finished goods	**560 052**	461 005
	Consumable stores	**122 850**	125 319
		1 306 702	1 189 929

Inventories with a carrying value of R1 212 753 000 (2010: R1 085 567 000) are encumbered as security for borrowing facilities (note 11).

		2011 R'000	2010 R'000
7.	**TRADE AND OTHER RECEIVABLES**		
	Financial assets	**949 333**	697 683
	Trade receivables	**917 815**	704 685
	Less: Provision for impairment of receivables	**(8 253)**	(8 832)
		909 562	695 853
	Sundry receivables	**39 771**	1 830
	Non-financial assets	**120 406**	94 674
	Prepayments	**34 353**	29 287
	Value-added taxation receivable	**86 053**	65 387
		1 069 739	792 357

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

	2011 R'000	2010 R'000
Receivables that are neither overdue nor impaired	**884 414**	647 492
Receivables overdue but not impaired	**64 919**	50 191
Overdue by less than 60 days	**40 164**	37 677
Overdue by more than 60 days	**24 755**	12 514
Total receivables, net of provision for impairment	**949 333**	697 683

One debtor comprises 30% (2010: 8%) of trade receivables. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December, the exposure of the group to trade receivables, neither overdue nor impaired, in local and overseas markets, and the extent to which these are subject to credit insurance cover is as follows:

		2011 R'000	2010 R'000
Local trade receivables		**135 043**	159 749
– Balance subject to credit insurance	(%)	**63**	75
Export trade receivables		**709 600**	485 913
– Balance subject to credit insurance	(%)	**100**	100
		844 643	645 662

Trade receivables covered by credit insurance are subject to a 10% excess.

Trade and sundry receivables that are impaired are provided for in full. No collateral is held on these receivables.

The movement in the provision for impairment is as follows:

	2011 R'000	2010 R'000
At 1 January	**8 832**	11 443
Receivables written off during the year as uncollectible	**(2 151)**	(368)
Net creation/(release) during the year	**1 572**	(2 243)
At 31 December	**8 253**	8 832

Trade and other receivables with a book value of R1 007 416 908 (2010: R725 935 463) (including inter-company debtors) has been ceded as security for borrowing facilities (note 11).

The fair values of the trade and other receivables, and the group's maximum exposure to credit risk related thereto, approximate their carrying value.

The group had the following uncovered export trade debtors at the period end:

	2011 Foreign amount '000	**2011 Rand amount R'000**	2010 Rand amount R'000
Euro currency	**2 672**	**28 018**	2 620
Pound Sterling	**70**	**876**	–
US Dollar	**12 999**	**105 420**	37 018
		134 314	39 638

		2011 R'000	2010 R'000
8.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Forward foreign exchange contracts: designated as hedging instruments (note 8.1)	**(36 699)**	73 042
	Forward foreign exchange contracts: not designated as hedging instruments (note 8.1)	**5 784**	28 319
	Commodity futures: designated as hedging instruments (note 8.2)	**(2 698)**	11 915
		(33 613)	113 276
	Grouped as:		
	Financial assets	**60 747**	180 247
	Financial liabilities	**(94 360)**	(66 971)
		(33 613)	113 276

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 2011 amounted to R2 427 206 (2010: R113 277 270).

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 7 (amended).

8.1 Foreign currency management

The following forward foreign exchange contracts were designated as hedging instruments at the period end:

	2011			2010		
	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						
Pound Sterling		–	–	1 364	17 191	(3 096)
Euro		–	–	1 244	11 721	(659)
US Dollar		–	–	15 069	111 551	(9 981)
Swiss Franc		–	–	27	192	(1)
Other		–	–		272	(2)
	–	–			140 927	(13 739)
Maturing in:						
2011					140 927	(13 739)
	–	–			140 927	(13 739)
Forward sales						
US Dollar	**(134 300)**	**(1 065 708)**	**(36 699)**	(135 300)	(995 878)	86 781
		(1 065 708)	**(36 699)**		(995 878)	86 781
Maturing in:						
2011		–	–		(995 878)	86 781
2012		**(1 065 708)**	**(36 699)**		–	–
		(1 065 708)	**(36 699)**		(995 878)	86 781
Net total – cash flow hedges		**(1 065 708)**	**(36 999)**		(854 951)	73 042
Grouped as:						
Financial assets			**16 761**			112 096
Financial liabilities			**(53 460)**			(39 054)
			(36 699)			73 042

8. DERIVATIVE FINANCIAL INSTRUMENTS continued

8.1 Foreign currency management continued

The following forward foreign exchange contracts have been entered into to cover foreign currency risk, but were not designated as hedging instruments for accounting purposes at the period end:

	2011 Foreign amount 000	2011 Rand amount R'000	2011 Fair value asset/ (liability) R'000	2010 Foreign amount 000	2010 Rand amount R'000	2010 Fair value asset/ (liability) R'000
Forward purchases						
Pound Sterling	**301**	**3 754**	**31**	–	–	–
Euro	**1 220**	**12 887**	**(54)**	–	–	–
US Dollar	**7 645**	**58 365**	**4 056**	–	–	–
Swiss Franc	**133**	**1 129**	**18**	–	–	–
		76 135	**4 051**			
Forward sales						
US Dollar	**(53 660)**	**(436 773)**	**(710)**	(62 084)	(435 269)	21 289
Euro	**(4 560)**	**(50 010)**	**1 795**	(14 002)	(129 703)	5 153
Pound Sterling	**(3 175)**	**(40 528)**	**648**	(2 431)	(27 038)	1 877
		(527 311)	**1 733**		(592 010)	28 319
Net total		**(451 176)**	**5 784**		(592 010)	28 319
Maturing in:						
2011		**–**	**–**		(592 010)	28 319
2012		**(451 176)**	**5 784**		–	–
		(451 176)	**5 784**		(592 010)	28 319
Grouped as:						
Financial assets			**21 021**			43 686
Financial liabilities			**(15 237)**			(15 367)
			5 784			28 319

8.2 Commodity price management

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

	2011 Tons	2011 Contracted value R'000	2011 Fair value asset/ (liability) R'000	2010 Tons	2010 Contracted value R'000	2010 Fair value asset/ (liability) R'000
Net aluminium futures purchases/(sales) maturing in:						
2011	**–**	**–**	**–**	(1 775)	53 634	11 915
2012	**1 200**	**25 924**	**(2 698)**	–	–	–
	1 200	**25 924**	**(2 698)**	(1 775)	53 634	11 915
Grouped as:						
Financial assets			**22 965**			24 465
Financial liabilities			**(25 663)**			(12 550)
			(2 698)			11 915
Cash flow hedges			**17 736**			–
Fair value hedges			**(20 434)**			11 915
			(2 698)			11 915

			2011 R'000	2010 R'000
9.	**CASH AND CASH EQUIVALENTS**			
	Bank balances		**19 103**	23 698
	Cash on hand		**797**	741
			19 900	24 439
	Effective interest rates	(%)	**3,00**	3,00

Cash of R16 502 036 (2010: R21 883 855) has been ceded as security for borrowing facilities (note 11).

10. SHARE CAPITAL AND SHARE PREMIUM

10.1 Authorised

	2011 R'000	2010 R'000
800 000 000 ordinary shares of 10 cents each (2010: 800 000 000 ordinary shares of 10 cents each)	**80 000**	80 000
45 000 000 A ordinary shares of 10 cents each (2010: 34 000 000 A ordinary shares of 10 cents each)	**4 500**	3 400
28 000 000 B ordinary shares of 10 cents each (2010: 21 000 000 B ordinary shares of 10 cents each)	**2 800**	2 100
Total authorised share capital	**87 300**	85 500

The B ordinary shares consist of 15 000 000 B1 shares, 10 000 000 B2 shares and 3 000 000 B3 shares.

10.2 Issued

	2011 R'000	2010 R'000
Opening balance (353 131 351 ordinary shares of 10 cents each) (2010: 252 541 066 ordinary shares of 10 cents each)	**35 313**	25 254
Issued during year (13 820 376 ordinary shares of 10 cents each) (2010: 100 590 285 ordinary shares of 10 cents each)	**1 382**	10 059
Closing balance (366 951 727 ordinary shares of 10 cents each) (2010: 353 131 351 ordinary shares of 10 cents each)	**36 695**	35 313
Share premium		
Opening balance	**1 785 300**	1 059 084
Premium on shares issued, net of share issue expenses	**449**	726 216
Closing balance	**1 785 749**	1 785 300
Consolidated A and B shares	**(94 801)**	(91 783)
Share capital and share premium	**1 727 643**	1 728 830

10.3 A ordinary shares and B ordinary shares

The A ordinary shares and B ordinary shares are unlisted and carry full voting rights. The A ordinary shares have no entitlements to any dividends or other shareholder distributions. The A ordinary shares are eliminated in the group accounts as they are held by an entity related to the introduction of broad-based BEE investors, and this entity is consolidated into the group results. The B ordinary shares are held in employee trusts, which trusts are consolidated and thus the shareholding eliminated on consolidation.

10.4 Unissued

Under option to employees

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 29.

Under the control of the directors

At 31 December 2011, 8 502 780 unissued ordinary shares (2010: 8 826 445) were under the control of the directors, for the purpose, inter alia, of existing employee share incentive schemes.

At 31 December 2011, 14 392 530 unissued B ordinary shares (2010: 9 653 777) were under the control of the directors, for the purpose of the Hulamin Employee Share Ownership Plan and the Hulamin Management Share Ownership Plan.

		2011 R'000	2010 R'000
11. NON-CURRENT BORROWINGS	Effective interest rates (%)		
Secured loans			
Finance leases	15,70	**130**	933
Standard Bank	7,82	**565 456**	564 858
Rand Merchant Bank	7,82	**62 828**	62 762
		628 414	628 553
Less: Current portion included in short-term borrowings		**130**	794
		628 284	627 759
Borrowing payments by financial year (including interest):			
2012		**49 543**	52 427
2013		**123 245**	126 054
2014		**117 473**	119 966
2015		**504 907**	505 943
Book value of assets encumbered as security for finance lease obligations (note 2).		**385**	7 861

The facilities with Standard Bank and Rand Merchant Bank referred to above and the amounts owing in respect of the bank overdraft, First National Bank call loan and Standard Bank call loan (note 15) are collectively secured by mortgage and notarial bonds over the moveable and immoveable assets of Hulamin Operations (Pty) Limited, and the cession of book debts, cash and material investments in and claims against wholly-owned subsidiaries, and the provision of a guarantee by the company.

In terms of the company's articles of association the borrowing powers of the group are subject to any regulations made by the company in a general meeting to restrict the borrowing powers, failing which they are at the discretion of the directors. To date no such regulation has been imposed.

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

	2011 R'000	2010 R'000
12. DEFERRED TAX LIABILITY		
At beginning of year	**941 260**	912 876
Tax (credited)/charged directly to equity	**(11 050)**	15 276
Transfer to deferred tax asset	**–**	1 330
Income statement		
Current year charge	**9 910**	17 738
Prior years' charge/(credit)	**85**	(5 960)
At end of year	**940 205**	941 260
The deferred tax liability is analysed as follows:		
Accelerated tax depreciation	**1 044 305**	1 026 210
Provisions and leave pay accruals	**(44 147)**	(38 165)
Defined Benefit Fund	**10 532**	20 669
Assessed loss	**(70 056)**	(81 580)
Share schemes	**(3 446)**	(3 964)
Hedging reserve	**3 236**	15 104
Other	**(219)**	2 986
	940 205	941 260
Deferred tax liability to be settled after more than 12 months	**933 727**	905 902
Deferred tax liability to be settled within 12 months	**6 478**	35 358
	940 205	941 260

		2011 R'000	2010 R'000
13. RETIREMENT BENEFIT OBLIGATIONS			
Post-retirement medical aid provision		**143 575**	125 796
Retirement gratuity provision		**26 165**	22 113
		169 740	147 909
The movement of these provisions is detailed in note 24.			
14. TRADE AND OTHER PAYABLES			
Trade payables		**632 420**	464 750
Leave pay and bonus accruals		**69 591**	57 846
Sundry accruals and other payables		**114 240**	85 321
		816 251	607 917
The fair values of the trade and other payables approximate their carrying value.			
15. CURRENT BORROWINGS			
Current portion of long-term loans		**130**	794
Bank overdrafts		**65 195**	52 283
First National Bank call loan		**102 000**	140 000
Standard Bank call loan		**33 000**	162 000
		200 325	355 077
Effective interest rates are as follows:			
Bank overdrafts	(%)	**8,00**	8,00
First National Bank call loan	(%)	**7,10**	7,30
Standard Bank call loan	(%)	**7,20**	7,10

The group expects to repay R130 000 hereof during 2012. The remaining current borrowings have no fixed repayment dates.

The bank overdrafts and call loans are secured (note 11).

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

	2011 R'000	2010 R'000
16. OTHER GAINS AND LOSSES		
Valuation adjustments on non-derivative items (note 16.1)	**131 654**	(33 766)
Valuation adjustments on derivative items (note 16.2)	**(98 044)**	105 510
	33 610	71 744
16.1 Valuation adjustments on non-derivative items		
Export receivables and hedged items in fair value hedges	**140 423**	(49 341)
Import payables	**1 334**	(1 766)
Foreign currency denominated cash balances	**(10 103)**	17 341
	131 654	(33 766)
16.2 Valuation adjustments on derivative items		
Forward foreign exchange contracts: not designated as hedging instruments	**(74 913)**	98 679
Forward foreign exchange contracts: cash flow hedges, transfer from equity	**(34 576)**	28 934
Forward foreign exchange contract: fair value hedges	**(179)**	–
Commodity futures: cash flow hedges, transfer from equity	**(17 060)**	–
Commodity futures: fair value hedges	**28 685**	(42 962)
Interest rate swaps: cash flow hedges, transfer from equity	**(1)**	20 859
	(98 044)	105 510
16.3 Ineffective portion of all hedges recognised in profit or (loss)		
Cash flow hedges	**–**	(26 560)
Fair value hedges	**14 997**	2 208
	14 997	(24 352)

	2011 R'000	2010 R'000
17. EXPENSES BY NATURE		
Metal and other material costs	**4 850 326**	3 942 244
Utilities and other direct manufacturing costs	**480 422**	398 442
Employment costs (note 17.1)	**723 581**	669 752
Depreciation (note 2)	**206 356**	190 366
Amortisation of intangible assets (included in cost of sales) (note 3)	**3 342**	2 533
Repairs and maintenance	**148 039**	161 562
Other operating income and expenditure (note 17.2)	**408 679**	297 279
	6 820 745	5 662 178
Classified as:		
Cost of sales	**6 398 110**	5 260 954
Selling and marketing expenses	**355 282**	312 113
Administrative and other expenses	**67 353**	89 111
	6 820 745	5 662 178
17.1 Employment costs		
Salaries and wages	**632 620**	633 360
Retirement benefit costs:		
Defined contribution schemes (note 24)	**8 502**	8 194
Defined benefit scheme (note 24)	**36 205**	43 842
Post retirement medical aid costs (note 24)	**24 123**	19 514
Staff gratuities (note 24)	**5 006**	4 732
Share incentive costs	**17 125**	20 355
Employee benefit expense	**723 581**	729 997
Pension fund surplus allocation	**–**	(60 245)
Employment costs included in expenses	**723 581**	669 752
17.2 Other operating income and expenditure		
Other operating income and expenditure includes:		
Impairment of property, plant and equipment (note 2)	**3 690**	–
Reversal of impairment of investment in joint venture (note 4)	**(4 361)**	
Write-down of inventories	**5 199**	11 486
Operating leases	**4 388**	4 338
Decrease in provision for impairment of debtors	**(579)**	(2 611)
Auditors' remuneration (note 17.3)	**3 500**	3 855
Loss on disposal of property, plant and equipment	**2 985**	2 174
Benefit arising from recognition of defined benefit pension fund asset	**–**	(34 628)
17.3 Auditors' remuneration		
Audit fees	**2 976**	3 209
Fees for other services	**361**	398
Prior year under provision	**–**	98
Expenses	**163**	150
	3 500	3 855

		2011 R'000	2010 R'000
18. NET FINANCE COSTS			
Interest paid			
Long-term loan interest		**49 942**	90 346
Short-term loan interest		**17 588**	46 476
Interest capitalised		**(4 023)**	(19 673)
Interest received		**(1 597)**	(226)
Net finance costs		**61 910**	116 923
19. TAXATION			
South African normal taxation:			
Current			
Current year		**18 115**	18 928
Prior year under provision		**620**	6 873
Deferred			
Current year		**10 403**	10 799
Prior year under/(over) provision		**408**	(5 884)
		29 546	30 716
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:			
IFRS 2 costs	(%)	**(1,6)**	0,2
Non-allowable items	(%)	**1,5**	1,1
Exempt income	(%)	**(1,4)**	–
Prior year adjustment	(%)	**0,9**	0,9
Effect of associate profit being shown net of tax	(%)	**(0,3)**	(0,7)
Effective rate of taxation	(%)	**27,1**	29,5
Estimated tax losses available for set-off against future taxable income are as follows:			
Total tax losses		**304 459**	358 370

20. EARNINGS PER SHARE

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year. For purposes of calculating diluted earnings per share, the weighted average number of shares in issue is adjusted for the dilutive effect of employee share options.

	December 2011 number of shares	December 2010 number of shares
Reconciliation of denominators used for basic and diluted earnings per share		
Basic EPS: weighted average number of shares	**316 933 746**	281 206 387
Share options	**3 679 234**	3 498 720
Diluted EPS: weighted average number of shares	**320 612 980**	284 705 107

		2011 R'000	2010 R'000
21.	**HEADLINE EARNINGS**		
	Net profit for the year attributable to equity holders of the company	**79 676**	73 248
	Adjustments	**445**	1 565
	– Loss on disposal of property, plant and equipment	**2 985**	2 174
	– Impairment of property, plant and equipment	**3 690**	–
	– Reversal of impairment of investment in joint venture	**(4 361)**	–
	– Tax effect	**(1 869)**	(609)
	Headline earnings attributable to equity holders of the company	**80 121**	74 813
	Headline earnings per share		
	Basic (cents)	**25**	27
	Diluted (cents)	**25**	26
22.	**CASH GENERATED BEFORE WORKING CAPITAL CHANGES**		
	Operating profit	**169 945**	218 233
	Depreciation	**206 356**	190 366
	Amortisation of intangible assets	**3 342**	2 533
	Impairment of property, plant and equipment	**3 690**	–
	Reversal of impairment of investment in joint venture	**(4 361)**	–
	Loss on disposal of property, plant and equipment	**2 985**	2 174
	Net movement in retirement benefit asset and obligations	**58 035**	(58 856)
	Employee share-based costs	**17 125**	20 355
	Movements in derivatives	**104 503**	(31 001)
		561 620	343 804
23.	**CHANGES IN WORKING CAPITAL**		
	Increase in inventories	**(116 773)**	(174 900)
	Increase in trade and other receivables	**(280 400)**	(97 129)
	Increase in trade and other payables	**208 334**	27 497
		(188 839)	(244 532)

24. RETIREMENT BENEFITS

Retirement benefit schemes

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

PROVIDENT FUND

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R8 458 000 (2010: R8 194 000) and were expensed during the year.

PENSION FUND

Defined benefit pension fund

Hulamin and the Tongaat Hulett Group historically participated in a common funded defined benefit scheme, The Tongaat-Hulett Pension Fund. The group's participation in this fund had previously been accounted for as a defined contribution fund to 31 August 2010 and thereafter as a defined benefit fund.

The regulatory process to divide The Tongaat-Hulett Pension Fund into two new funds, and transfer the assets and liabilities of The Tongaat-Hulett Pension Fund to the new defined benefit funds of the respective employers was concluded with effect 1 November 2010. The Hulamin Defined Benefit Pension Fund was established effective 1 November 2010.

An actuarial valuation of the group's share of its defined benefit obligation and plan assets was performed in accordance with IAS 19 at 31 December 2011.

		2011 R'000	2010 R'000
24. RETIREMENT BENEFITS continued			
Retirement benefit schemes continued			
PENSION FUND continued			
Amounts recognised in the balance sheet are as follows:			
Group's share of fair value of plan assets		**2 097 465**	1 977 883
Group's share of present value of funded obligations		**(1 896 503)**	(1 746 713)
Unrecognised actuarial gains		**(163 347)**	(157 351)
Defined benefit asset at end of year		**37 615**	73 819
Movement in the defined benefit obligation is as follows:			
Group's share of defined benefit obligation at 1 January 2011 (2010: 31 August 2010)		**1 746 713**	1 766 588
Current service cost		**65 981**	23 029
Interest cost		**151 045**	49 078
Employee contributions		**19 007**	6 383
Actuarial losses/(gains)		**4 150**	(82 044)
Benefits paid		**(90 393)**	(16 321)
Group's share of defined benefit obligation at end of year		**1 896 503**	1 746 713
Movement in the fair value of plan assets is as follows:			
Group's share of fair value of plan assets at 1 January 2011 (2010: 31 August 2010)		**1 977 883**	1 861 461
Actual return on plan assets		**190 968**	126 360
Expected return on plan assets		**165 086**	51 054
Actuarial gains		**25 882**	75 306
Employer contributions		**–**	–
Employee contributions		**19 007**	6 383
Benefits paid		**(90 393)**	(16 321)
Group's share of fair value of plan assets at end of year		**2 097 465**	1 977 883
The group expects to contribute R24 000 000 to the defined benefit pension plan in 2012.			
Distribution of assets between major asset classes:			
Equities	(%)	**64**	67
Property	(%)	**2**	2
SA bonds, cash and other	(%)	**30**	26
International bonds, cash and other	(%)	**4**	5
		100	100
The amounts recognised in the income statement are as follows:			
Contributions to The Tongaat-Hulett Pension Fund (prior to the application of defined benefit accounting)		**–**	22 789
Current service cost		**65 981**	23 029
Interest cost		**151 045**	49 078
Expected return on plan assets		**(165 086)**	(51 054)
Recognition of actuarial gains		**(15 735)**	–
Total included in employee benefit expense (note 17.1)		**36 205**	43 842
Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**9 000**	8 500
Future inflation rate	(%)	**6 000**	5 375
Expected return on plan assets	(%)	**9 000**	8 500
Future salary increases	(%)	**7 750**	7 125
Future pension increases	(%)	**6 000**	5 375
The expected return on assets is based on returns expected over the life of the obligations, which is the same as the discount rate.			
Experience adjustments:			
Experience gain on plan liabilities		**(33 898)**	(6 519)
Experience gain on plan assets		**25 882**	75 306

Defined contribution pension fund

A Hulamin defined contribution pension fund, the Hulamin Pension Fund 2010, was established effective 1 October 2010. All new eligible employees who are employed by Hulamin on or after this effective date will be required to join the Hulamin Pension Fund 2010. The Hulamin Defined Benefit Pension Fund is closed to new entrants. The group's contributions to the Hulamin Pension Fund 2010, which were expensed during the year, amounted to R44 000 (2010: Rnil).

	2011 R'000	2010 R'000

24. RETIREMENT BENEFITS continued

Post-retirement medical aid benefits

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

		2011 R'000	2010 R'000
Amounts recognised in the balance sheet are as follows:			
Present value of unfunded obligations		**179 236**	171 556
Unrecognised actuarial losses		**(35 661)**	(45 760)
Liability in the balance sheet		**143 575**	125 796
The liability can be reconciled as follows:			
Balance at beginning of year		**125 796**	112 092
Total expense accrued		**24 123**	19 514
Benefit payments		**(6 344)**	(5 810)
Balance at end of year		**143 575**	125 796
Amounts recognised in the income statement are as follows:			
Interest costs		**14 680**	12 926
Current service costs		**3 362**	2 694
Actuarial loss recognised		**6 081**	3 894
		24 123	19 514
The principal actuarial long-term assumptions are as follows:			
Discount rate	(%)	**9,000**	8,500
Future medical inflation rate	(%)	**7,750**	7,125
Sensitivity of future medical inflation rate:			
1% increase in future medical inflation rate: effect on the aggregate of the service and interest costs		**3 503**	3 343
1% increase in future medical inflation rate: effect on the obligation		**29 320**	28 861
1% decrease in future medical inflation rate: effect on the aggregate of the service and interest costs		**(2 807)**	(2 667)
1% decrease in future medical inflation rate: effect on the obligation		**(23 743)**	(23 263)
Estimated benefits payable by the group in the next financial year		**6 778**	6 256

		2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Historical information						
Present value of unfunded obligations		**179 236**	171 556	139 878	125 980	106 049
Experience (gain)/loss on plan liabilities		**(7 426)**	1 586	7 094	9 146	3 248
Experience (gain)/loss as a percentage of liabilities	(%)	**(4,14)**	0,92	5,07	7,26	3,06

		2011 R'000	2010 R'000
24.	**RETIREMENT BENEFITS** continued		
	Retirement gratuities		
	The group has in the past made discretionary payments, on retirement, to eligible employees who have remained in service until retirement age, and have completed a minimum service period.		
	The obligation is unfunded.		
	Amounts recognised in the balance sheet are as follows:		
	Present value of unfunded obligations	**33 484**	30 116
	Unrecognised actuarial losses	**(7 319)**	(8 003)
	Liability in the balance sheet	**26 165**	22 113
	The liability can be reconciled as follows:		
	Balance at beginning of year	**22 113**	20 854
	Total expense accrued	**5 006**	4 732
	Gratuity payments	**(954)**	(3 473)
	Balance at end of year	**26 165**	22 113
	Amounts recognised in the income statement are as follows:		
	Interest costs	**2 658**	2 506
	Service costs	**1 747**	1 505
	Actuarial loss recognised	**601**	721
		5 006	4 732
	The principal actuarial assumptions are:		
	Discount rate (%)	**9,000**	8,500
	Future salary inflation rate (%)	**7,750**	7,125

Estimated retirement gratuities, payable by the group during the next financial year, are R1 040 000.

		2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Historical information						
Present value of unfunded obligations		**33 484**	30 116	25 959	22 827	18 556
Experience loss on plan liabilities		**147**	446	767	1 763	1 026
Experience loss as a percentage of liabilities	(%)	**0,44**	1,48	2,95	7,72	5,53

	2011 R'000	2010 R'000

25. LEASE COMMITMENTS

Amounts payable under finance leases

	2011 R'000	2010 R'000
Minimum lease payments due:		
Not later than one year	**152**	903
Later than one year and not later than five years	**–**	152
	152	1 055
Less: Future finance charges	**(22)**	(131)
Present value of lease obligations	**130**	924
Payable:		
Not later than one year	**130**	794
Later than one year and not later than five years	**–**	130
	130	924
Book value of plant and equipment encumbered as security for finance lease obligations (note 2).	**385**	7 861

Operating lease commitments, amounts due:

	2011 R'000	2010 R'000
Not later than one year	**4 301**	4 225
Later than one year and not later than five years	**4 247**	5 167
	8 548	9 392
In respect of:		
Property	**5 219**	4 568
Plant and machinery	**3 329**	4 824
	8 548	9 392

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

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

26. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2011 R'000	2010 R'000
Property, plant and equipment	**26 116**	90 381

Capital expenditure will be funded by a combination of external borrowings and cash flow from operations.

27. CONTINGENT LIABILITIES

27.1 In 2002, the Department of Trade and Industry raised a dispute with the group relating to previous GEIS claims in the amount of R5 409 000 (2010: R5 162 000). A date for a court hearing of this matter has still to be set.

27.2 Sahara Aluminium Works, a toll processor of the company's coated scrap, has claimed that there existed a long-term constructive contract with Hulamin Limited, formerly Hulett Aluminium (Pty) Limited, which would require a ten-year notice period be given before this contract could be terminated. Sahara has thus claimed R17,8 million from Hulamin, largely in respect of the loss of profits that Sahara would have earned over ten years, arising from the early termination of the purported constructive contract. A liability has not been raised for this amount as there is only a remote possibility that Sahara will succeed in its claim.

28. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and joint ventures are disclosed below:

	2011 R'000	2010 R'000
Sales to joint venture	**47 590**	53 688
Accounts receivable from joint venture	**2 661**	11 206
Loans to joint venture (note 4)	**4 623**	15 258
Interest received on loans to joint venture	**803**	–

Transactions with key management personnel, which comprise directors and prescribed officers, are detailed in note 29.

29. DIRECTORS' REMUNERATION AND INTEREST

29.1 a) i) Directors' and prescribed officers' remuneration during the 2011 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package 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
Non-executive									
M E Mkwanazi	317 042	99 600				416 642		416 642	
L C Cele	180 474	66 153				246 627		246 627	
V N Khumalo*	129 416	56 292				185 708		185 708	
T P Leeuw	166 797	71 172				237 969		237 969	
J B Magwaza	175 930	62 743				238 673		238 673	
N N A Matyumza	133 961	39 292				173 253		173 253	
S P Ngwenya	101 125	43 292				144 417		144 417	
G Pretorius	43 750	9 000				52 750		52 750	
P H Staude	101 125	43 292				144 417		144 417	
G Watson	127 006	51 984				178 990		178 990	
Subtotal	1 476 626	542 820				2 019 446		2 019 446	
Executive									
C D Hughes			2 158 264	87 900	308 317	2 554 481	747 188	3 301 669	30 169
R G Jacob			3 138 300	71 292	448 305	3 657 897	1 019 259	4 677 156	26 842
M Z Mkhize			2 141 040	93 972	305 697	2 540 709	1 130 635	3 671 344	262 768
Subtotal			7 437 604	253 164	1 062 319	8 753 087	2 897 082	11 650 169	319 779
Prescribed officer									
C J Little			1 721 920	59 148	245 920	2 026 988	579 465	2 606 453	20 208
Total	1 476 626	542 820	9 159 524	312 312	1 308 239	12 799 521	3 476 547	16 276 068	339 987

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

\# *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payment.*

Performance bonuses for executives in relation to the 2011 year are still under consideration and have not yet been awarded

29.1 a) ii) Executive Committee members' (excluding executive directors and prescribed officers) remuneration during the 2011 financial year was as follows:

Executive Committee excluding executive directors and prescribed officers	Cash package Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Total Rand	Gains on exercise of share options Rand
Total	6 954 760	336 198	992 800	8 283 758	58 569

Performance bonuses for executives in relation to the 2011 year are still under consideration and have not yet been awarded

No other employee earned more than the executive directors, prescribed officer and executive commitee members in the 2011 year.

29. DIRECTORS' REMUNERATION AND INTEREST continued

29.1 b) i) Directors' and prescribed officers' remuneration during the 2010 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	# Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Non-executive									
M E Mkwanazi	310 000	76 001				386 001		386 001	
L C Cele	197 391	47 015				244 406		244 406	
V N Khumalo*	139 917	29 293				169 210		169 210	
T P Leeuw	182 173	43 173				225 346		225 346	
J B Magwaza	190 555	39 684				230 239		230 239	
N N A Matyumza	118 302	29 763				148 065		148 065	
S P Ngwenya	111 333	25 293				136 626		136 626	
P H Staude	111 333	25 293				136 626		136 626	
Subtotal	1 361 004	315 515				1 676 519		1 676 519	
Executive					A				B
A Fourie			2 591 796	27 409	3 242 874	5 862 079	2 475 293	8 337 372	4 879 075
C D Hughes			2 065 200	87 085	295 323	2 447 608	635 661	3 083 269	283 796
R G Jacob			2 337 000	66 073	334 191	2 737 264	574 662	3 311 926	21 950
M Z Mkhize			1 962 000	87 085	280 566	2 329 651	1 004 474	3 334 125	22 500
Subtotal			8 955 996	267 652	4 152 954	13 376 602	4 690 090	18 066 692	5 207 321
Prescribed officer									
C J Little			1 651 200	54 816	236 122	1 942 138	488 370	2 430 508	742 792
Total	1 361 004	315 515	10 607 196	322 468	4 389 076	16 995 259	5 178 460	22 173 719	5 950 113

Executive directors received no bonuses in relation to the 2010 year.

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

\# *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payment.*

A *Includes a retirement gratuity payment of R1 197 150 and a pension fund waiver of R1 797 219 on early retirement.*

B *Includes compensation in lieu of 2010 share awards amounting to R417 795.*

29.1 b) ii) Executive Committee members (excluding executive directors and prescribed officers) remuneration during the 2010 financial year was as follows:

Executive Committee excluding executive directors and prescribed officers	Cash package Rand	Medical aid contributions Rand	Retirement fund contributions* Rand	Total Rand	Gains on exercise of share options Rand
Total	7 188 987	292 399	3 454 933	10 936 319	883 604

None of the executive committee members received bonuses in relation to the 2010 year.

* *Includes a retirement gratuity payment of R698 667 and a pension fund waiver of R1 747 170 on an early retirement.*

No other employee earned more than the executive directors, prescribed officer and executive committee members in the 2010 year.

29. DIRECTORS' REMUNERATION AND INTEREST continued

29.2 Interest of directors and prescribed officers of the company in share-based instruments

The interest of the directors and prescribed officers in share options of the company are shown in the table below:

29.2.1 The Original Tongaat Hulett Share Option Schemes

a) Options related to the Tongaat Hulett share price

	Adjusted option price	Expiring ten years from	Number of options at 31 Dec 2010	Options exercised	**Number of options at 31 Dec 2011**	Options time constrained
Executive director						
C D Hughes	R26,35	1 Oct 2003	4 500		**4 500**	
	R35,90	21 Apr 2004	4 800		**4 800**	
Total			9 300		**9 300**	

b) Options related to the Hulamin share price

	Adjusted option price	Expiring ten years from	Number of options at 31 Dec 2010	Options exercised	**Number of options at 31 Dec 2011**	Options time constrained
Executive director						
C D Hughes	R8,15	1 Oct 2003	4 500		**4 500**	
	R11,10	21 Apr 2004	4 800		**4 800**	
			9 300		**9 300**	
R G Jacob	R11,10	21 Apr 2004	3 800		**3 800**	
			3 800		**3 800**	
M Z Mkhize	R11,10	21 Apr 2004	3 400		**3 400**	
			3 400		**3 400**	
Total			16 500		**16 500**	
Prescribed officer						
C J Little	R11,10	21 Apr 2004	10 000		**10 000**	
Total	R11,10	21 Apr 2004	10 000		**10 000**	

29. DIRECTORS' REMUNERATION AND INTEREST continued

29.2 Interest of directors and prescribed officers of the company in share-based instruments continued

29.2.2 Tongaat-Hulett Group Limited Share Appreciation Right Scheme (SARS) 2005 – Rights apportioned at unbundling

a) Rights relating to the Tongaat Hulett share price

	Number of rights granted in 2005	Number of rights granted in 2006	Number of rights at 31 Dec 2010	Rights exercised	**Number of rights at 31 Dec 2011**	Rights time constrained
Executive director						
C D Hughes	4 549	7 441	11 990	4 549	**7 441**	
M Z Mkhize	4 927	7 736	4 927	4 927	**7 736**	
	9 476	15 177	16 917	9 476	**15 177**	
Prescribed officer						
C J Little	0	10 941	10 941		**10 941**	
Total	0	10 941	10 941		**10 941**	
Adjusted grant price	R43,98	R73,39				
Expiring seven years from	10 May 2005	25 Apr 2006				

b) Rights relating to the Hulamin share price

	Number of rights granted in 2005	Number of rights granted in 2006	Number of rights at 31 Dec 2010	Rights exercised	**Number of rights at 31 Dec 2011**	Rights time constrained
Executive director						
C D Hughes	4 549	7 441	11 990		**11 990**	
R G Jacob	4 070	6 241	10 311		**10 311**	
M Z Mkhize	4 927	7 736	12 663		**12 663**	
	13 546	21 418	34 964		**34 964**	
Prescribed officer						
C J Little	13 039	10 941	23 980		**23 980**	
Total	13 039	10 941	23 980		**23 980**	
Adjusted grant price	R13,60	R22,70				
Expiring seven years from	10 May 2005	25 Apr 2006				

29. DIRECTORS' REMUNERATION AND INTEREST continued

29.2 Interest of directors and prescribed officers of the company in share-based instruments continued

29.2.3 Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2007	Number of rights granted in 2008	Number of rights granted in 2009	Number of rights granted in 2010	Number of rights at 31 Dec 2010	**Number of rights granted in 2011**	**Number of rights at 31 Dec 2011**	Rights time constrained
Executive director								
C D Hughes	40 000	56 241	122 024	198 307	416 572	**263 745**	**680 317**	680 317
R G Jacob	35 000	45 121	98 933	312 499	491 553	**509 138**	**1 000 691**	1 000 691
M Z Mkhize	37 500	51 609	111 958	193 093	394 160	**261 503**	**655 663**	655 663
	112 500	152 971	332 915	703 899	1 302 285	**1 034 386**	**2 336 671**	2 336 671
Prescribed officer								
C J Little	33 000	44 559	97 204	159 270	334 033	**210 368**	**544 401**	544 401
Total	33 000	44 559	97 204	159 270	334 033	**210 368**	**544 401**	544 401
Grant price	R22,87	R21,99	R11,50	R8,60		R6,91		
Expiring seven years from	20 Aug 2007	30 Apr 2008	24 Jul 2009	1 Nov 2010		25 May 2011		

29.2.4 Hulamin Limited Long Term Incentive Plan 2007

	Number of conditional awards granted in 2008	Number of conditional awards granted in 2009	Number of conditional awards granted in 2010	Number of conditional awards at 31 Dec 2010	**Number of conditional awards vested in 2011**	**Number of conditional awards granted in 2011**	**Number of conditional awards at 31 Dec 2011**	Conditional awards time constrained
Executive director								
C D Hughes	24 103	61 011	75 396	160 510	**24 103**	**135 731**	**272 138**	272 138
R G Jacob	19 338	49 466	136 905	205 709	**19 338**	**262 006**	**448 377**	448 377
M Z Mkhize	22 118	55 978	74 257	152 353	**22 118**	**134 578**	**264 813**	264 813
	65 559	166 455	286 558	518 572	**65 559**	**532 315**	**985 328**	985 328
Prescribed officer								
C J Little	19 097	48 602	60 282	127 981	**19 097**	**108 262**	**217 146**	217 146
Total	19 097	48 602	60 282	127 981	**19 097**	**108 262**	**217 146**	217 146
Issue price	R21,90	R13,05			R8,60	R6,91		
Expiring three years from	30 Apr 2008	24 Jul 2009			1 Nov 2010	25 May 2011		

29. DIRECTORS' REMUNERATION AND INTEREST continued

29.2 Interest of directors and prescribed officers of the company in share-based instruments continued

29.2.5 Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2008	Number of conditional awards granted in 2009	Number of conditional awards granted in 2010	Number of conditional awards at 31 Dec 2010	**Number of conditional awards vested in 2011**	**Number of conditional awards ganted in 2011**	**Number of conditional awards at 31 Dec 2011**	Conditional awards time constrained
Executive director								
C D Hughes	4 316	9 707		14 023	**4 316**		**9 707**	9 707
R G Jacob	3 840	9 707	9 906	23 453	**3 840**		**19 613**	19 613
M Z Mkhize	3 781	14 560		18 341	**3 781**		**14 560**	14 560
	11 937	33 974	9 906	55 817	**11 937**		**43 880**	43 880
Prescribed officer								
C J Little	2 791	2 427		5 218	**2 791**		**2 427**	2 427
	2 791	2 427		5 218	**2 791**		**2 427**	2 427
Issue price	R22,20	R10,50	R8,93					
Expiring three years from	25 Feb 2008	27 Feb 2009	1 Nov 2010					

29.2.6 MSOP Share Appreciation Right Plan

	Number of rights granted in 2007	Number of rights at 31 Dec 2010	**Number of rights granted in 2011**	**Number rights at 31 Dec 2011**	Conditional rights time constrained
Executive director					
M Z Mkhize	218 930	218 930		218 930	218 930
	218 930	218 930		218 930	218 930
Grant price	R21,44				
Expiring five years from	31 Aug 2007				

29.2.7 MSOP Share Grant Plan

	Number of conditional awards granted in 2007	Number of conditional awards at 31 Dec 2010	**Number of conditional awards granted in 2011**	**Number of conditional awards at 31 Dec 2011**	Conditional rights time constrained
Executive director					
M Z Mkhize	73 110	73 110	6 758	79 868	79 868
	73 110	73 110	6 758	79 868	79 868
Grant price	–		–		
Expiring five years from	31 Aug 2007		31 Aug 2007		

29. DIRECTORS' REMUNERATION AND INTEREST continued

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

The aggregate holdings as at 31 December 2011 of those directors of the company and the prescribed officer holding issued ordinary shares of the company are detailed below:

As at 31 December 2011	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
C D Hughes	9 707			9 707
R G Jacob	45 870			45 870
M Z Mkhize	20 609			20 609
	76 186			76 186
Non-executive				
L C Cele	10 000			10 000
J B Magwaza	5 760			5 760
M E Mkwanazi			11 700	11 700
P H Staude	91 610			91 610
	107 370		11 700	119 070
Total	183 556		11 700	195 256
Prescribed officer				
C J Little	2 427			2 427
Total	2 427			2 427

There have been no changes in the above interests between the year-end and 16 February 2012.

As at 31 December 2010	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
A Fourie	171 360			171 360
C D Hughes	14 023			14 023
R G Jacob	42 030			42 030
M Z Mkhize	18 341			18 341
	245 754			245 754
Non-executive				
J B Magwaza	5 760			5 760
M E Mkwanazi			11 700	11 700
P H Staude	73 752			73 752
	79 512		11 700	91 212
Total	325 266		11 700	336 966

30. SHARE-BASED PAYMENTS

30.1 Employee share incentive schemes

Details of awards in terms of the company's share incentive schemes are as follows:

THE TONGAAT-HULETT EMPLOYEES SHARE INCENTIVE SCHEME AND THE TONGAAT-HULETT GROUP LIMITED 2001 SHARE OPTION SCHEME (THE ORIGINAL TONGAAT-HULETT SHARE OPTION SCHEMES)

Participating employees were originally awarded share options over Tongaat Hulett shares. On vesting, the employee was entitled to exercise the options and purchase the shares at the option price.

As a result of the unbundling from Tongaat Hulett, participants in these share option schemes who had not exercised their options at the unbundling date converted their existing Tongaat Hulett options into two options: a Tongaat Hulett option and a Hulamin option. Hulamin is obliged to settle all benefits under these share schemes in relation to its own employees using Hulamin shares which will be purchased in the market or issued by Hulamin. The benefit for the Hulamin option will be determined with reference to the Hulamin share price, and the Tongaat Hulett option with respect to the Tongaat Hulett share price.

The original exercise price of each Tongaat Hulett option was apportioned between the Tongaat Hulett and Hulamin options with reference to the volume weighted average prices (VWAP) of both companies for the first 22 trading days after the unbundling. The 22-day VWAPs were R93,89 and R29,04 respectively, with the expiry date being the same as that of the original options. The modification did not result in any incremental fair value being granted to option holders.

No further awards to Hulamin employees will be made under these schemes.

Tongaat Hulett modified grant price	Estimated weighted average fair value per option	Expiring ten years from	Number of options at 31 Dec 2010	**Options exercised in 2011**	**Options forfeited in 2011**	**Number of options at 31 Dec 2011**	Options time constrained
R30,55		16 May 2001	20 250	**20 250**			
R37,88		13 May 2002	22 850	**300**		**22 550**	
R24,37	R8,48	14 Apr 2003	33 200	**7 400**		**25 800**	
R26,35	R8,44	1 Oct 2003	4 500			**4 500**	
R35,90	R11,03	21 Apr 2004	55 410	**9 710**		**45 700**	
			136 210	**37 660**		**98 550**	

Hulamin modified grant price	Estimated weighted average fair value per option	Expiring ten years from	Number of options at 31 Dec 2010	**Options forfeited in 2011**	**Number of options at 31 Dec 2011**	Options time constrained
R9,45		16 May 2001	30 250	**30 250**		
R11,72		13 May 2002	62 600		**62 600**	
R7,53	R2,62	14 Apr 2003	52 100	**5 400**	**46 700**	
R8,15	R2,61	1 Oct 2003	4 500		**4 500**	
R11,10	R3,60	21 Apr 2004	132 600	**4 100**	**128 500**	
			282 050	**39 750**	**242 300**	

The estimated fair value of the share options at grant date was determined using a binomial tree valuation model. Options were exercised on a regular basis throughout the year. The volume weighted average share prices during the year for Tongaat Hulett and Hulamin shares were R94,65 and R7,30 respectively.

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

THE TONGAAT-HULETT EMPLOYEES SHARE INCENTIVE SCHEME AND THE TONGAAT-HULETT GROUP LIMITED 2001 SHARE OPTION SCHEME (THE ORIGINAL TONGAAT-HULETT SHARE OPTION SCHEMES) continued

The significant inputs into the model for the 2003/4 awards were:

Share price at grant date	The share price at the date on which the share option is issued, as noted above
Grant price	The grant price as noted above
Expected option life	114 months (assumed leaving percentage of 5%)
Risk-free interest rate	9,02%
Expected volatility	35% – based on historical volatility
Expected dividends	A continuous dividend yield of 3,9% was used
Expected early exercise	Early exercise is taken into account on an expectation basis
Vesting conditions:	
– Time	Service obligations of between two to four years
– Non-market	None
– Market	None
– Weighted average expected remaining life	16 months (2010: 28 months)
– Contractual life	120 months

THE TONGAAT-HULETT GROUP SHARE APPRECIATION RIGHT SCHEME (SARS) 2005

Under the Tongaat-Hulett Share Appreciation Right Scheme, participating employees were awarded rights to receive shares equal to the difference between the exercise price and the grant price. The vesting of the SARS was conditional on the achievement of performance conditions by Tongaat Hulett over a three-year period.

Following on the unbundling from Tongaat Hulett, participants in the Share Appreciation Right Scheme who had not exercised their rights at the unbundling date or whose rights had not vested, converted their existing Tongaat Hulett rights into two rights, a Tongaat Hulett right and a Hulamin right with adjusted exercise prices. The original exercise price of each Tongaat Hulett right was apportioned between Tongaat Hulett and Hulamin rights with reference to the volume weighted average prices (VWAP) of both companies for the first 22 trading days after the unbundling. The 22-day VWAPs were R93,89 and R29,04 respectively. Replacement SARS are not subject to any performance conditions. The vesting and lapse dates of both new SARS are the same as that of the original SARS. Hulamin is obliged to settle all benefits under these SARS in relation to its own employees using Hulamin shares which will be purchased in the market. The benefit for the Hulamin right will be determined with reference to the Hulamin share price, and the Tongaat Hulett right with respect to the Tongaat Hulett share price. The modification did not result in any incremental fair value being granted to option holders.

No further awards to Hulamin employees will be made under this scheme.

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

THE TONGAAT-HULETT GROUP SHARE APPRECIATION RIGHT SCHEME (SARS) 2005 continued

Tongaat Hulett modified grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at 31 Dec 2010	**Rights exercised in 2011**	**Rights forfeited in 2011**	**Number of rights at 31 Dec 2011**	Rights time constrained
R43,98	R13,52	10 May 2005	89 935	**53 106**		**33 829**	
R73,39	R23,81	25 Apr 2006	165 459	**36 339**		**129 120**	
			252 394	**89 445**		**162 949**	

Hulamin modified grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at 31 Dec 2010	**Rights exercised in 2011**	**Rights forfeited in 2011**	**Number of rights at 31 Dec 2011**	Rights time constrained
R13,60	R4,18	10 May 2005	175 265		**1 865**	**173 400**	
R22,70	R7,36	25 Apr 2006	245 126		**7 060**	**238 066**	
			420 391		**8 925**	**411 466**	

Options were exercised on a regular basis throughout the year. The volume weighted average share prices during the year for Tongaat Hulett and Hulamin shares were R94,65 and R7,30 respectively.

The estimated fair value of these share appreciation rights at grant date was determined using a binomial tree valuation model and non-market performance conditions based on the following significant inputs:

Share price at grant date	The price at which the share appreciation right is issued, as noted above
Grant price	The grant price as noted above
Expected option life	80 months (assumed leaving percentage of 5%)
Risk-free interest rate	2006 award: 7,22% (2005 award: 8,09%)
Expected volatility	35% – based on historical volatility
Expected dividends	A continuous dividend yield of 4,0% was used for the 2006 award (2005 award: 3,9%)
Expected early exercise	Early exercise is taken into account on an expectation basis
Vesting conditions:	
– Time	Three years
– Non-market	Headline earnings per share (replacement SARS are not subject to any performance conditions)
– Market	None
– Weighted average expected remaining life	2006 award: 16 months (2005 award: 4 months)
– Contractual life	84 months

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

HULAMIN LIMITED SHARE APPRECIATION RIGHT SCHEME 2007

Under the Share Appreciation Right Scheme, participating employees are awarded the right to receive shares equal 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 condition over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at 31 Dec 2010	**Rights granted in 2011**	**Rights forfeited in 2011**	**Number of rights at 31 Dec 2011**	Rights time constrained
R22,87	R9,72	20 Aug 2007	1 496 500		**47 000**	**1 449 500**	
R21,99	R8,91	30 Apr 2008	1 901 892		**54 499**	**1 847 303**	
R11,50	R4,76	24 Jul 2009	4 169 514		**145 500**	**4 024 014**	4 024 014
R8,60	R3,06	1 Nov 2010	5 514 943		**177 052**	**5 337 891**	5 337 891
R6,91	R1,91	25 May 2011		**8 159 677**	**190 910**	**7 968 767**	7 968 767
			13 082 759	**8 159 677**	**614 961**	**20 627 475**	17 330 672

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

Share price at grant date	2011 award: R6,91 (2010 award: R8,60; 2009 award: R13,05; 2008 award: R21,90; 2007 award: R23,51)
Grant price	The grant price as noted above
Risk-free interest rate	2011 award: 7,98% (2010 award: 7,08%; 2009 award: 8,73%; 2008 award: 9,18%; 2007 award: 8,19%)
Expected volatility	2011 award: 38,09% (2010 award: 39,21%; 2009 award: 41,80%; 2008 award: 38,59%; 2007 award: 34,25%)
Expected dividends	2011 award: 7,56% (2010 award: 4,25%; 2009 award: 6,54%; 2008 award: 3,44%; 2007 award: 2,3%)
Vesting conditions:	
– Time	Three years
– Non-market	An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee. Retesting of the performance condition is allowed in respect of the 2007, 2008 and 2009 grants.
– Market	None
– Weighted average expected remaining life	2011 award: 77 months (2010 award: 70 months; 2009 award: 55 months; 2008 award: 40 months; 2007 award: 32 months)
– Contractual life	84 months

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

HULAMIN LIMITED LONG TERM INCENTIVE SCHEME 2007

Under the Share Appreciation Right Scheme, participating employees are awarded the right to receive shares equal 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 condition over a three-year period.

Issue price	Estimated weighted average fair value per award	Expiring three years from	Conditional awards at 31 Dec 2010	**Conditional awards forfeited in 2011**	**Conditional awards granted in 2011**	**Number of conditional awards at 31 Dec 2011**	Conditional awards time constrained
R21,90	R13,98	30 Apr 2008	300 661	**300 661**			
R13,05	R4,08	24 Jul 2009	740 679	**11 625**		**729 054**	729 054
R8,60	R4,66	1 Nov 2010	926 301	**14 713**		**911 588**	911 588
R6,91	R4,40	25 May 2011		**29 163**	**1 603 399**	**1 574 236**	1 574 236
			1 967 641	**356 162**	**1 603 399**	**3 214 878**	3 214 878

The estimated fair value of these conditional share awards at the grant date was determined using a Monte Carlo Simulation model, based on the following significant inputs:

Share price at grant date	2011 award: R6,91 (2010 award: R8,60; 2009 award: R13,05; 2008 award: R21,90)
Grant price	The grant price as noted above
Risk-free interest rate	2011 award: 7,05% (2010 award: 6,14%; 2009 award: 8,31%; 2008 award: 9,74%)
Expected volatility	2011 award: 38,24% (2010 award: 39,61%; 2009 award: 41,42%; 2008 award: 38,59%)
Expected dividends	2011 award: 3,01% (2010 award: 1,68%; 2009 award: 3,35%; 2008 award: 3,44%)
Vesting conditions:	
– Time	Three years
– Non-market	Return on capital employed (ROCE)
– Market	Total shareholder return (TSR)
– Weighted average expected remaining life	2011 award: 29 months (2010 award: 22 months; 2009 award: 7 months)
– Contractual life	36 months

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

HULAMIN LIMITED DEFERRED BONUS PLAN 2007

Under the deferred bonus plan, participating employees purchase shares in Hulamin with a portion of their after tax bonus. These pledged shares are held in escrow for a qualifying period, after which Hulamin awards the employee a number of shares in Hulamin Limited which matches those pledged shares released from escrow.

Issue price	Estimated weighted average fair value per award	Expiring three years from	Number of awards at 31 Dec 2010	**Conditional awards exercised in 2011**	**Conditional awards granted in 2011**	**Number of conditional awards at 31 Dec 2011**	Conditional awards time constrained
R22,20	R20,03	25 Feb 2008	42 000	**42 000**			
R10,50	R9,30	27 Feb 2009	104 813			**104 813**	104 813
R8,93	R8,51	1 Nov 2010	32 729			**32 729**	32 729
			179 542	**42 000**		**137 542**	137 542

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

Share price at grant date	2010 award: R8,93; 2009 award: R10,50; 2008 award: R22,20
Expected dividends	The measurement of the fair value of the deferred bonus shares did not take into account dividends, as no dividend payment was expected
Expected early exercise	Early exercise is taken into account on an expectation basis
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None
– Weighted average expected remaining life	2010 award: 22 months; 2009 award: 2 months
– Contractual life	36 months

The deferred bonus shares were purchased by the participating employees on 6 March 2008, 10 March 2009 and 15 November 2010 in terms of the 2008, 2009 and 2010 awards respectively.

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

HULAMIN LIMITED MANAGEMENT SHARE OWNERSHIP PLAN (MSOP) AND EMPLOYEE SHARE OWNERSHIP PLAN (ESOP)

The MSOP and ESOP schemes were implemented in respect of 5% of the issued share capital of Hulamin.

The MSOP scheme consists of two components, namely a share appreciation scheme and a share grant scheme. The ESOP scheme consists of a share appreciation scheme, and participants share in 50% of the dividends payable to ordinary shareholders.

The MSOP Trust and ESOP Trust were established to acquire and hold Hulamin Limited shares for the benefit of its employees and have received contributions from the employer companies within the Hulamin group in order to acquire the shares. Due to these shares having specific repurchase rights, they are a separate class of restricted shares which, other than for the repurchase terms, rank *pari passu* with ordinary shares.

Hulamin has the right to repurchase from the Trust, at maturity (year five) of the scheme, a variable number of shares at one cent per share after which the remaining shares would become unrestricted ordinary shares. The number of shares to be repurchased at maturity is calculated such that the market value of the repurchased shares will be equal to:

- 80% of the market value (at the outset) of the shares issued in terms of the share appreciation right component of the MSOP;
- Rnil in respect of the share grant component of the MSOP; and
- The grant price of the shares allocated, plus the value of cash dividends paid to ESOP participants. At maturity of the scheme, the Trust will distribute the remaining Hulamin shares to the beneficiaries.

The value of the benefits in the MSOP Scheme are capped at a level of 10% compounded growth per year.

Grant price	Scheme	Estimated fair value per right	Expiring five years from	Number of rights at 31 Dec 2010	**Rights granted in 2011***	**Rights forfeited in 2011**	**Number of rights at 31 Dec 2011**	Rights time constrained
R18,93* B2	MSOP share appreciation right scheme	R4,46	31 Aug 2007	2 055 690	–	**33 380**	**2 022 310**	2 022 310
R0,00 B3	MSOP share grant scheme	R14,07	31 Aug 2007	687 398	**63 540**	**10 806**	**740 132**	740 132
R26,80 B1	ESOP share appreciation right scheme	R7,90	31 Aug 2007	7 263 721	**2 197 700**	**476 835**	**8 984 586**	8 984 586

* Following the rights issue, which was concluded in June 2010, certain amendments to the MSOP and ESOP schemes were approved by shareholders in order to place the participants of the MSOP and ESOP in the same position as they would have been in prior to the rights issue. These amendments are summarised as follows:

- B1 ordinary shares – additional issue of 2 197 700 shares to the ESOP Trust;
- B2 ordinary shares – amendment to the issue price (strike price) of the shares in issue from R21,44 to R18,93; and
- B3 ordinary shares – additional issue of 63 540 shares to the MSOP Trust.

These amendments have no financial consequence for the group as they place the participants in no better economic position than they were in prior to the rights issue.

30. SHARE-BASED PAYMENTS continued

30.1 Employee share incentive schemes continued

HULAMIN LIMITED MANAGEMENT SHARE OWNERSHIP PLAN (MSOP) AND EMPLOYEE SHARE OWNERSHIP PLAN (ESOP) continued

The estimated fair value of these share appreciation rights and share grant rights at grant date was determined using the Black-Scholes call option valuation model, based on the following significant inputs:

Share price at grant date	R24,90
Grant price	The grant price as noted above
Risk-free interest rate	8,11%
Expected volatility	30%. As Hulamin's shares had only listed a short time before grant date, the valuations of appropriate proxy companies were used to estimate the expected Hulamin share price volatility
Expected dividends	A dividend yield of 2,3% was used
Attrition rate	4,18% per annum
Vesting conditions:	
– Time	Five years
– Non-market	None
– Market	None
Contractual life	60 months
Weighted average expected remaining life	8 months

30.2 BEE equity transaction

During the 2007 financial year, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an effective 10% interest in Hulamin.

The BEE partners have subscribed for 10% of the share capital of Hulamin Operations (Pty) Limited (OPCO) at a cost of R37,5 million and for 25 million A class shares in Hulamin at a cost of R2,5 million. The BEE partners will be entitled to exchange their OPCO shares for shares of an equivalent value in Hulamin seven years after the grant date, and on surrender of the A class shares. For accounting purposes the fair value of the transaction at grant date of R134 686 000, which was expensed in full in the 2007 financial year, has been determined using a Monte Carlo simulation model based on the following significant inputs:

Share price at grant date	R34,10
Grant date	11 June 2007
Expected option life	Seven years
Lock-in period	Further three years
Risk-free interest rate	Forward swap curve
Expected volatility	30%. As Hulamin's shares had only listed a short time before grant date, the valuations of appropriate proxy companies were used to estimate the expected Hulamin share price volatility
Expected dividends	A dividend yield of 2,3% was used

31. DETAILS OF INVESTMENTS IN ASSOCIATES, SUBSIDIARY COMPANIES AND JOINT VENTURES

The financial statements of the group include the financial statements of the company and the associates, subsidiary companies and joint ventures listed in the following table:

Name	Country of incorporation	**% Equity interest 2011**	% Equity interest 2010
Subsidiaries			
Hulamin Rolled Products (Pty) Limited *	South Africa	**100**	100
Hulamin Systems (Pty) Limited*	South Africa	**100**	100
Hulamin Operations (Pty) Limited	South Africa	**90**	90
Hulamin Extrusions (Pty) Limited*	South Africa	**100**	100
Hulamin North America LLC*	United States of America	**100**	100
Associates			
Almin Metal Industries Limited**	Zimbabwe	**49**	49
Joint ventures			
HBS Aluminium Systems (Pty) Limited***	South Africa	**50**	50
Richards & Barlow (Pty) Limited***	South Africa	–	50

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

** *Investment held by Hulamin Extrusions (Pty) Limited.*

*** *Investment held by Hulamin Operations (Pty) Limited.*

All the investments are unlisted.

Special purpose vehicles

The following special purpose vehicles have also been consolidated:

- Hulamin Employee Share Ownership Trust;
- Hulamin Management Share Ownership Trust; and
- Chaldean Trading 67 (Pty) Limited.

32. FINANCIAL RISK MANAGEMENT

32.1 FINANCIAL RISK FACTORS

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance, and uses derivative financial instruments to hedge certain risk exposures.

Hedging is carried out by a central treasury department (group treasury) under policies approved by the board of directors, and in close co-operation with the group's operating units.

32.1.1 Market risk

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group's risk management policy is to hedge its currency exposure related to import transactions, foreign currency liabilities, foreign currency assets and export transactions. Aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge all currency exposure on aluminium, while the value added portion of export transactions is hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the US Dollar at 31 December, the after tax profit for the year would have been higher or lower by R9 313 000 (2010: R2 347 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains/losses on translation of US Dollar denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains/losses in currency derivatives. Profit was no more sensitive to movements in currency exchange rates in 2011 than in 2010, as all foreign currency denominated assets and liabilities are hedged through foreign exchange contracts. The above change in currency exchange rates would have resulted in equity being lower or higher by R38 594 000 (2010: R34 520 000). The change in equity is mainly from foreign exchange losses/gains on translation of US Dollar-denominated cash flow hedging instruments.

32. FINANCIAL MANAGEMENT CONTINUED

32.1 FINANCIAL RISK FACTORS continued

32.1.1 Market risk continued

Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash and profit, the approach is to hedge approximately 50% of the risk using futures contracts. At 31 December 2011, 52% (2010: 49%) of the risk was hedged.

For every 5% weakening or strengthening of the price of aluminium at 31 December, after tax profit for the year would have been lower or higher by R372 000 (2010: lower or higher by R592 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in aluminium prices is a result of commodity price gains/losses on aluminium futures contracts that were all hedge accounted in 2011 and 2010. For this reason profit was no more sensitive to movement in commodity prices in 2011 than in 2010. The above change in aluminium prices would have resulted in equity being lower or higher by R12 796 000 (2010: nil). The change in equity is mainly from losses/gains on translation of US Dollar-denominated cash flow hedging instruments, whereas all 2010 future contracts were part of fair value hedges.

Interest rate risk

The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and it had not fixed the interest rate on any of its borrowings. In 2010 the interest rate on R600 000 000 of these borrowings was fixed through interest rate swaps that matured on 31 December 2010 and were accounted for as a cash flow hedge. 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 (2010: nil) and no effect on equity (2010: 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 lower or higher by R4 048 000 (2010: R4 792 000).

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

32.1.2 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 and interest rate hedging transactions are undertaken with these banks. All aluminium futures are undertaken with major London Metal Exchange broker companies.

Hulamin's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 7 to the annual financial statements. The creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. The establishment of credit limits is, in the majority of cases, supplemented by credit insurance. The value of all trade receivables covered by insurance is detailed in note 7.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (note 8) and trade and other receivables (note 7).

32.1.3 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.

The group's facility utilisation at the period end was:

	Notes	**2011 R'000**	2010 R'000
Total borrowing facilities		**1 180 130**	1 180 933
Less:			
Non-current borrowings	11	**(628 284)**	(627 759)
Current borrowings	15	**(200 325)**	(355 077)
Add:			
Bank balances	9	**19 103**	23 698
Committed undrawn facilities		**370 624**	221 795

The total borrowing facilities comprise finance leases of R0,1 million and long-term facilities of R630 million (with repayment profiles as set out in note 11 to the financial statements) and a general short-term facility of R550 million.

Financial liabilities with contractual maturity dates beyond a year from 31 December 2011 comprise long-term borrowings. Financial liabilities with maturity dates less than one year comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

32. FINANCIAL MANAGEMENT CONTINUED
32.1 FINANCIAL RISK FACTORS continued
32.1.3 Liquidity risk continued

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

	360 days notice R'000	Less than one year R'000	One to two years R'000	Two to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
2011							
Non-current borrowings		**49 543**	**123 245**	**117 473**	**504 907**		**795 168**
Current borrowings	**200 195**						**200 195**
Trade and other payables (excluding employee benefit payables)		**746 660**					**746 660**
Derivative financial liabilities		**94 360**					**94 360**
	200 195	**890 563**	**123 245**	**117 473**	**504 907**		**1 836 383**
2010							
Non-current borrowings		53 026	52 427	126 054	119 966	505 943	857 426
Current borrowings	302 000	52 283					354 283
Trade and other payables (excluding employee benefit payables)		550 071					550 071
Derivative financial liabilities		44 686					44 686
	302 000	700 076	52 427	126 054	119 966	505 943	1 806 466

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R834 982 000 (2010: R678 685 000) which are payable within a period of three months, including trade payables in the amount of R746 660 000 (2010: R550 071 000). Trade receivables amounting to R844 643 000 (2010: R645 662 000) are recoverable within a period of three months.

32.2 CAPITAL RISK MANAGEMENT

The group's objectives when managing capital are to maintain the optimum mix of liquidity and low cost of capital and to be able to finance future growth.

The group does not target specific 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	2011 R'000	2010 R'000
Non-current borrowings	11	**628 284**	627 759
Current borrowings	15	**200 325**	355 077
Total borrowings		**828 609**	982 836
Less: Cash and cash equivalents	9	**(19 900)**	(24 439)
Net borrowings		**808 709**	958 397
Total equity		**4 669 625**	4 609 534
Total capital		**5 478 334**	5 567 931
Gearing ratio (net debt over total capital)	(%)	**15**	17

Company balance sheet
as at 31 December 2011

	Notes	2011 R'000	2010 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	1	**4 348 209**	4 293 117
Deferred tax asset	2	**13 866**	12 935
		4 362 075	4 306 052
Current assets			
Trade and other receivables		**–**	943
Total assets		**4 362 075**	4 306 995
EQUITY			
Share capital and share premium	3	**1 822 444**	1 820 613
BEE reserve		**134 686**	134 686
Employee share-based payment reserve		**105 750**	91 219
Retained earnings		**2 249 166**	2 207 443
Total equity		**4 312 046**	4 253 961
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid provision	4	**49 520**	46 198
		49 520	46 198
Current liabilities			
Income tax liability		**227**	1 472
Trade and other payables		**282**	5 364
		509	6 836
Total liabilities		**50 029**	53 034
Total equity and liabilities		**4 362 075**	4 306 995

Company statement of comprehensive income

for the year ended 31 December 2011

	Notes	2011 R'000	2010 R'000
Revenue		70 438	72 530
Administrative expenses	5	(12 343)	(9 831)
Operating profit		58 095	62 699
Finance costs		(21)	(204)
Profit before tax		58 074	62 495
Tax	6	(16 351)	(18 884)
Total comprehensive income for the year		41 723	43 611

Company statement of changes in equity

for the year ended 31 December 2011

	Share capital R'000	Share premium R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2009	25 254	1 059 084	74 097	134 686	2 163 832	3 456 953
Total comprehensive income for the year	–	–	–	–	43 611	43 611
Shares issued	10 059	726 216	–	–	–	736 275
Value of employee services of subsidiaries	–	–	20 355	–	–	20 355
Settlement of employee share incentives	–	–	(3 233)	–	–	(3 233)
Balance at 31 December 2010	35 313	1 785 300	91 219	134 686	2 207 443	4 253 961
Total comprehensive income for the year	–	–	–	–	41 723	41 723
Shares issued	1 382	449	–	–	–	1 831
Value of employee services of subsidiaries	–	–	17 125	–	–	17 125
Settlement of employee share incentives	–	–	(2 594)	–	–	(2 594)
Balance at 31 December 2011	**36 695**	**1 785 749**	**105 750**	**134 686**	**2 249 166**	**4 312 046**

Company cash flow statement
for the year ended 31 December 2011

	2011 R'000	2010 R'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating profit	**58 095**	62 699
Changes in working capital	**(4 139)**	4 421
Movement in retirement benefit obligation	**3 322**	2 597
Employee share-based costs	**17 125**	20 355
Interest paid	**(21)**	(204)
Income tax payment	**(18 527)**	(20 419)
Net cash inflow from operating activities	**55 855**	69 449
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in investments in subsidiaries	**(55 092)**	(802 491)
Net cash outflow from investing activities	**(55 092)**	(802 491)
CASH FLOWS FROM FINANCING ACTIVITIES		
Shares issued	**1 831**	736 275
Settlement of share options net of reversals	**(2 594)**	(3 233)
Net cash (outflow)/inflow from financing activities	**(763)**	733 042
Net increase/(decrease) in cash and cash equivalents	**–**	–
Cash and cash equivalents at beginning of year	**–**	–
Cash and cash equivalents at end of year	**–**	–

		2011 R'000	2010 R'000
1.	**INVESTMENT IN SUBSIDIARIES**		
	Investment in shares in subsidiaries	**3 749 351**	3 733 066
	Loans to subsidiaries	**598 858**	560 051
		4 348 209	4 293 117

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares of Hulamin Operations (Pty) Limited.

The effective interest rate on loans to subsidiaries is 12,1%. No fixed repayment terms have been set and consequently no portion of the loans are considered past due and not impaired.

The loans to subsidiaries are subordinated in favour of Standard Bank, FirstRand Bank and Chaldean Trading 67 (Pty) Limited.

		2011 R'000	2010 R'000
2.	**DEFERRED TAX ASSET**		
	At beginning of year	**12 935**	12 208
	Income statement:		
	Current year relief on earnings	**931**	727
	At end of year	**13 866**	12 935
	Deferred income tax asset analysed as follows:		
	Post-retirement medical aid provisions	**13 866**	12 935
		13 866	12 935
	Deferred tax asset to be recovered after more than 12 months	**13 866**	12 935
	Deferred tax asset to be recovered within 12 months	**–**	–
		13 866	12 935

3. SHARE CAPITAL

		2011 R'000	2010 R'000
3.1	**Authorised**		
	800 000 000 ordinary shares of 10 cents each (2010: 800 000 000 ordinary shares of 10 cents each)	**80 000**	80 000
	45 000 000 A ordinary shares of 10 cents each (2010: 34 000 000 A ordinary shares of 10 cents each)	**4 500**	3 400
	28 000 000 B ordinary shares of 10 cents each (2010: 21 000 000 B ordinary shares of 10 cents each)	**2 800**	2 100
	Total authorised share capital	**87 300**	85 500

The B ordinary shares consist of 15 000 000 B1 shares, 10 000 000 B2 shares and 3 000 000 B3 shares.

		2011 R'000	2010 R'000
3.2	**Issued**		
	Opening balance (353 131 351 ordinary shares of 10 cents each) (2010: 252 541 066 ordinary shares of 10 cents each)	**35 313**	25 254
	Issued during year (13 820 376 ordinary shares of 10 cents each) (2010: 100 590 285 ordinary shares of 10 cents each)	**1 382**	10 059
	Closing balance (366 951 727 ordinary shares of 10 cents each) (2010: 353 131 351 ordinary shares of 10 cents each)	**36 695**	35 313
	Share premium		
	Opening balance	**1 785 300**	1 059 084
	Premium on shares issued	**449**	726 216
	Closing balance	**1 785 749**	1 785 300
	Share capital and share premium	**1 822 444**	1 820 613

3.3 A ordinary shares and B ordinary shares

The A ordinary shares and B ordinary shares are unlisted and carry full voting rights. The A ordinary shares have no entitlements to any dividends other than shareholder distributions.

3.4 Unissued

Under option to employees

Details of the employee share incentive schemes including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 29 of the group financial statements.

Under the control of the directors

At 31 December 2011, 8 502 780 unissued ordinary shares (2010: 8 826 445) were under the control of the directors, for the purpose, inter alia, of existing employee share incentive schemes.

At 31 December 2011, 14 392 530 unissued B ordinary shares (2010: 9 653 777) were under the control of the directors, for the purpose of the Hulamin Employee Share Ownership Plan and the Hulamin Management Share Ownership Plan.

		2011 R'000	2010 R'000
4.	**POST-RETIREMENT MEDICAL AID BENEFITS**		
	The company has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.		
	Amounts recognised in the balance sheet are as follows:		
	Present value of unfunded obligations	**65 227**	65 161
	Unrecognised actuarial losses	**(15 707)**	(18 963)
	Liability in the balance sheet	**49 520**	46 198
	The liability can be reconciled as follows:		
	Balance at beginning of year	**46 198**	43 601
	Total expense accrued	**8 523**	7 444
	Benefit payments	**(5 201)**	(4 847)
	Balance at end of year	**49 520**	46 198
	Amounts recognised in the income statement are as follows:		
	Interest costs	**5 588**	5 165
	Actuarial loss recognised	**2 935**	2 279
		8 523	7 444
	The principal actuarial long-term assumptions are:		
	Discount rate (%)	**9 000**	8 500
	Future medical inflation rate (%)	**7 750**	7 125
	Sensitivity of future medical inflation rate		
	1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs	**567**	552
	1% increase in future medical inflation rate – effect on the obligation	**6 298**	6 491
	1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs	**(490)**	(475)
	1% decrease in future medical inflation rate – effect on the obligation	**(5 448)**	(5 593)
	Estimated benefits payable by the group in the next financial year	**5 285**	5 180

		2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Historical information						
Present value of unfunded obligations		**65 227**	65 161	58 281	56 970	51 608
Experience (gain)/loss on plan liabilities		**(1 081)**	1 708	1 710	4 063	3 541
Experience (gain)/loss as a percentage of liabilities	(%)	**(1,66)**	2,62	2,93	7,13	6,86

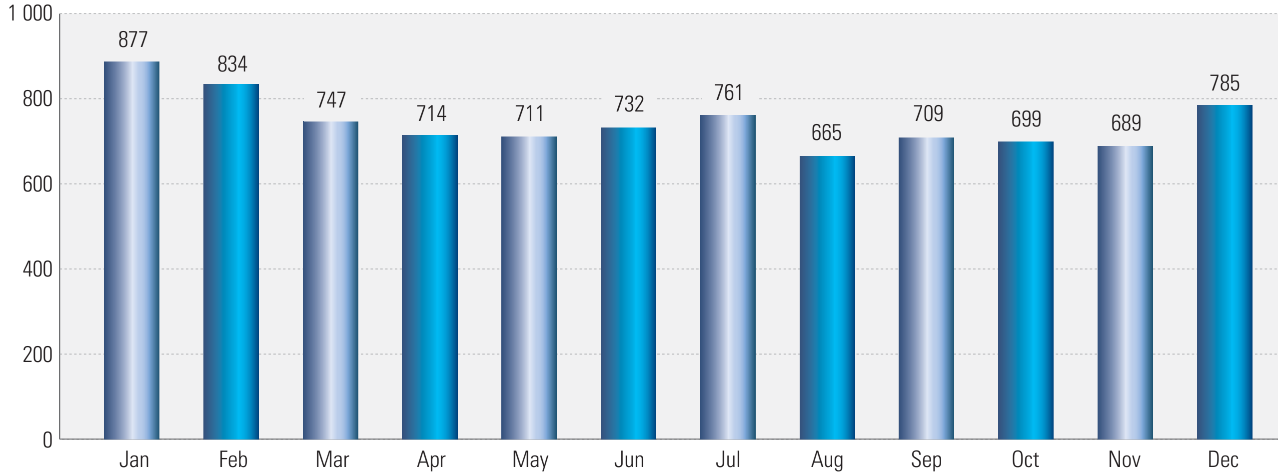
		2011 R'000	2010 R'000
5. EXPENSES BY NATURE			
Post-retirement medical aid costs		**8 523**	7 444
Auditors' remuneration (note 5.1)		**150**	141
Other costs		**3 670**	2 246
		12 343	9 831
Classified as:			
Administrative expenses		**12 343**	9 831
		12 343	9 831
5.1 Auditors' remuneration			
Audit fees		**134**	126
Expenses		**16**	15
		150	141
5.2 Directors' emoluments			
Non-executives			
Fees		**2 019**	1 677
		2 019	1 677
6. TAX			
South African normal taxation:			
Current			
Current year		**17 519**	18 283
Prior year (over)/underprovision		**(237)**	1 328
Deferred			
Current year (note 2)		**(931)**	(727)
		16 351	18 884
Normal rate of taxation	(%)	**28,0**	28,0
Adjusted for:			
Prior year adjustments	(%)	**(0,4)**	2,1
Other adjustments	(%)	**0,6**	0,1
Effective rate of taxation	(%)	**28,2**	30,2
7. RELATED PARTY TRANSACTIONS			
During the year the company, in the ordinary course of business, entered into the following related party transactions:			
Interest received from subsidiaries		**67 930**	70 803
Loan balance owing by subsidiary		**598 858**	560 051
Agency fees received from subsidiary		**60**	50
Management fees received from subsidiary		**2 448**	1 677

Analysis of ordinary shareholders
as at 31 December 2011

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Size of holdings				
1 – 1 000	3 047	53,55	889 678	0,28
1 001 – 10 000	1 900	33,39	6 547 342	2,07
10 001 – 100 000	502	8,82	15 261 534	4,81
100 001 – 1 000 000	195	3,43	58 728 972	18,52
Over 1 000 000 shares	46	0,81	235 681 260	74,32
	5 690	100,00	317 108 786	100,00
Public/non-public shareholders				
Non-public shareholders				
Industrial Development Corporation	1		94 587 954	29,83
Directors of the company	6		183 556	0,06
Associate of director	1		11 700	0,00
Prescribed officer of the company	1		2,427	0,00
Hulamin Defined Benefit Pension Fund	1		565 276	0,18
Tongaat Hulett Defined Benefit Pension Fund	1		1 285 056	0,41
Total non-public shareholders	11		96 635 969	30,48
Public shareholders	5 679		220 472 817	69,52
Total listed shareholders	5 690		317 108 786	100,00
Beneficial shareholders holding more than 3% of share capital				
Industrial Development Corporation	1		94 587 954	29,83
Coronation Fund Managers	1		29 715 982	9,37
Government Employees Pension Fund	1		23 550 465	7,43
Old Mutual	1		18 391 044	5,80
Investec	1		12 494 850	3,94
A class ordinary shares				
Chaldean Trading 67 (Pty) Limited	1	100,00	36 235 470	100,00
B1 ordinary shares				
Hulamin Employee Share Ownership Trust: No IT 645/2007/PMB	1	100,00	10 196 256	100,00
B2 ordinary shares				
Hulamin Management Share Ownership Trust: No IT 644/2007/PMB	1	100,00	2 509 569	100,00
B3 ordinary shares				
Hulamin Management Share Ownership Trust: No IT 644/2007/PMB	1	100,00	901 645	100,00

Hulamin share price

Hulamin volume weighted average share price by month for 2011 (cents per share)



Shareholders' diary

Financial year-end			31 December
Annual general meeting			May
Reports and profit statements	Interim results		July
	Annual results and final dividend declaration		February
	Annual financial statements		March
Dividends	Interim	Declared	July
		Paid	August
	Final	Declared	February
		Paid	March

Corporate information

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

Business address and registered office
Moses Mabhida Road
Pietermaritzburg
3201

Postal address
PO Box 74
Pietermaritzburg
3200

Contact details
Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
E-mail: hulamin@hulamin.co.za

Securities exchange listing
South Africa (Primary), JSE Limited

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street
Johannesburg
2001
PO Box 61051, Marshalltown, 2107

Corporate information and investor relations
H T Molale
E-mail: hector.molale@hulamin.co.za

Auditors
PricewaterhouseCoopers
3rd Floor, 102 Essenwood Road
Durban, 4001
PO Box 1049, Durban, 4000
Practice number: 905178E
Telephone: +27 31 271 2000
Facsimile: +27 31 202 8220
Website: www.pwc.com/za

Sponsor
Rand Merchant Bank
(A division of FirstRand Bank Limited)
1 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, 2196
PO Box 786273, Sandton, 2146

Directorate
Non-executive directors
L C Cele
V N Khumalo
T P Leeuw
J B Magwaza
N N A Matyumza
M E Mkwanazi, Chairman
S P Ngwenya
G Pretorius (with effect from 1 August 2011)
P H Staude
G H M Watson (with effect from 1 August 2011)

Executive directors
R G Jacob (Chief Executive Officer)
C D Hughes (Chief Financial Officer)
M Z Mkhize (Manufacturing Director)

Company Secretary
W Fitchat
E-mail: willem.fitchat@hulamin.co.za

HULAMIN LIMITED
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the company" or "the group")

Notice is hereby given that the seventy-second annual general meeting of shareholders will be held at the company's offices, Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal on Monday, 7 May 2012 at 15:00, for the following business, with or without modification. Note that all special resolutions, in terms of the Companies Act, No 71 of 2008, as amended, ("the Companies Act"), require 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at this meeting, to be cast in favour of the resolution for it to be adopted and all other resolutions require the support of the majority of votes cast by shareholders present or represented at this meeting in order for them to be adopted, unless otherwise noted.

For the avoidance of doubt, the Memorandum and Articles of Association of the Company are referred to as the Memorandum of Incorporation in accordance with the terminology used in the new Companies Act.

1. To receive and adopt the annual financial statements of the company for the year ended 31 December 2011 including the reports of the directors, the independent auditors and the Audit Committee contained therein.

2. To appoint the auditors, PricewaterhouseCoopers and to appoint Mr H Ramsumer as the individual designated auditor to hold office for the ensuing year.

The Group Audit and Risk Committee have evaluated the performance of PricewaterhouseCoopers and recommended their reappointment as independent registered auditors of the company.

3. To elect Ms L C Cele, Mr T P Leeuw and Mr G Pretorius as independent members of the Group Audit Committee. Motions for election will be moved individually. (The Group Audit and Risk Committee will be re-named the Group Audit Committee with effect from 1 June 2012 following the establishment of a separate board Risk Committee.)

4. To elect directors in place of Ms L C Cele, Ms N N A Matyumza and Mr S P Ngwenya who retire by rotation in accordance with Articles 77 and 78 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.

Details of each of these retiring directors are set out on pages 32 and 33 of the integrated annual report.

5. Amendments to the Hulamin Long Term Incentive Plan 2007 ("the HLTIP Scheme")
Hulamin adopted the Hulamin Long Term Incentive Plan 2007 ("the HLTIP Scheme") at a shareholders' meeting on 19 April 2007. Shareholders approved amendments to the HLTIP Scheme to ensure compliance to the revised Schedule 14 of the JSE Listings Requirements at the annual general meeting held on 21 July 2011. Under the HLTIP Scheme, awards are fully subject to the achievement of Company performance conditions.

The economic recession of 2008/09 has resulted in the long-term share incentive plans of many South African companies performing poorly, and often not assisting with retaining or incentivising employees. Many companies have addressed this issue by introducing a retention element in their long-term share incentive plan allocations, whereby a portion of the annual share plan allocation is subject to continued employment without the need to satisfy performance conditions, and these retention awards can also be awarded on an ad hoc basis. The company has elected the HLTIP Scheme to serve as a tool to address retention.

Consequently the Remuneration and Nomination Committee have recommended that the rules of the HLTIP Scheme be amended to cater for the making of conditional awards without performance conditions (i.e. retention awards), and provision for these to be made both annually and on an ad hoc basis. It is intended that annual allocations of conditional awards without performance conditions will approximate 25% of total awards and that eligible employees will only be entitled to an ad hoc allocation once during a three-year vesting cycle.

Ordinary resolution number 1
"Resolved that the proposed amendments to the Hulamin Long Term Incentive Plan 2007 ("the HLTIP Scheme") to allow for the making of conditional awards that are partly subject to performance conditions or not subject to any performance conditions, be approved."

In terms of the JSE Listings Requirements, 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at the annual general meeting must be cast in favour of this resolution for it to be adopted.

The proposed revised HLTIP Scheme has been approved by the JSE. The detailed amendments to the HLTIP Scheme and the revised HLTIP Scheme will be available for inspection by the shareholders of the company at Hulamin's principal place of business and the offices of its sponsor, Rand Merchant Bank (a division of FirstRand Bank Limited) for a period of not less than 14 (fourteen) days prior to the annual general meeting.

6. **Approval of non-executive directors' fees**

Directors fees were approved at the annual general meeting in 2011 and were applicable for the twelve-month period ending 31 July 2012.

The board, on the recommendation of the Remuneration and Nomination Committee, propose that the directors' fees for the period commencing 1 August 2012, be as set out below.

"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 for the twelve-month period commencing 1 August 2012, be and are hereby approved."

	Present fees to 31 July 2012 Rand		Proposed fees from 1 August 2012 Rand	
Type of fee	**Retainer per annum**	**Attendance per meeting**	Retainer per annum	Attendance per meeting
Hulamin board				
Chairman	**301 000**	**25 800**	331 900	28 450
Non-executive directors	**105 000**	**9 000**	115 500	9 900
Audit Committee				
Chairman	**70 000**	**10 000**	83 125	11 875
Non-executive directors	**35 000**	**5 000**	48 300	6 900
Risk Committee				
Chairman			57 400	8 200
Non-executive directors			31 500	4 500
Remuneration and Nomination Committee				
Chairman	**49 000**	**7 000**	57 400	8 200
Non-executive directors	**28 700**	**4 100**	31 500	4 500
Transformation, Social and Ethics Committee				
Chairman	**49 000**	**7 000**	57 400	8 200
Non-executive directors	**28 700**	**4 100**	31 500	4 500
Ad hoc board committees				
Chairman	**49 000**	**7 000**	57 400	8 200
Non-executive directors	**28 700**	**4 100**	31 500	4 500
	Present fees to 31 July 2012 Euro		Proposed fees from 1 August 2012 Euro	
Type of fee	**Retainer per annum**	**Attendance per meeting**	Retainer per annum	Attendance per meeting
Hulamin board – International directors				
Non-executive directors	**28 000**	**2 400**	28 840	2 470

As regards the attendance fee, the board of directors typically holds five meetings a year and there are normally four meetings for the Remuneration and Nomination Committee a year and three meetings for each of the other subcommittees of the board.

Shareholder approval is also requested to remunerate non-executive directors who participate in a specially constituted ad hoc board subcommittee as detailed in the table above.

7. **Financial assistance**

In terms of the Companies Act, the board may authorise the company to provide financial assistance to a related or inter-related company or corporation provided such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements as set out in the Companies Act are met, amongst others, that the company meets the solvency and liquidity test. The board seeks such approval from shareholders in order to provide financial assistance to the company's subsidiaries from time to time.

"Resolved as a special resolution, subject to the provisions of the Companies Act, that the provision of any financial assistance by the company to any company or corporation which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

8. **Remuneration policy – non-binding advisory vote**

The King III Code recommends that, at each annual general meeting, shareholders consider and endorse, as a non-binding advisory vote, the group's remuneration policy. The principles and key elements of the group's remuneration policy are set out in pages 62 and 63 of the integrated annual report.

The Hulamin Remuneration and Nomination Committee has considered the remuneration policy and recommend that shareholders approve the following resolution:

"Resolved that the Hulamin remuneration policy, set out in pages 62 and 63 of the integrated annual report and which is deemed to be part of the annual general meeting notice, be endorsed."

9. To transact such other business as may be transacted at an annual general meeting: voting and proxies

9.1 The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company for purposes of being entitled to receive the notice is Friday, 23 March 2012.

9.2 The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of being entitled to attend and vote at the annual general meeting, is Thursday, 26 April 2012. The last day to trade for inclusion in the register maintained by the transfer secretaries of the company is Thursday, 19 April 2012.

9.3. Any shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such shareholder's stead.

9.4. Should any shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such shareholder should timeously inform his CSDP or broker for the purposes of obtaining the necessary letter of representation from such shareholder's CSDP or broker to attend the annual general meeting or timeously provide such shareholder's CSDP or broker with such shareholder's voting instruction in order for the CSDP or broker to vote on such shareholder's behalf at the annual general meeting.

9.5. On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

9.6. A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed, must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Limited, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 15:00 on Thursday, 3 May 2012. The completion of a proxy form will not preclude a shareholder from attending the annual general meeting.

9.7. All meeting participants will be required to provide identification reasonably satisfactory to the Chairman of the meeting.

9.8. Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address below, to be received by the transfer secretaries at least five business days prior to the annual general meeting in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided. The company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder (or its representative or proxy). It should be noted, however, that voting will not be possible via the electronic facilities and shareholders wishing to vote their shares will need to be represented at the meeting either in person, by proxy or by letter of representation, as provided for in the annual general meeting notice.

By order of the board

W Fitchat
Company Secretary

16 February 2012

Registered office
Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal

Transfer secretaries
Computershare Investor Services (Pty) Limited
70 Marshall Street, Johannesburg, 2001
PO Box 61051, Marshalltown, 2107

Form of proxy

HULAMIN LIMITED
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the company" or "the group")

Note: All beneficial shareowners that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Instead, they must either provide the CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting themselves, they may request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

Completed forms of proxy must be received at the office of the company's transfer secretaries in South Africa by not later than 15:00 on Thursday, 3 May 2012: Computershare Investor Services (Pty) Limited, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107).

Any forms of proxy not lodged by this time must be deposited at the registered office of the company by not later than 15:00 on Saturday, 5 May 2012.

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)

being the holder/holders of ordinary shares in Hulamin do hereby appoint

1. of (or failing him/her)

2. of (or failing him/her)

3. the Chairman of the annual general meeting as my/our proxy to attend and speak and to vote for me/us at the annual general meeting of the company to be held at 15:00 on Monday, 7 May 2012, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

	Resolution	For	Against	Abstain
1.	Adoption of annual financial statements			
2.	Confirmation of appointment of auditors – retaining the services of PricewaterhouseCoopers and to appoint Mr H Ramsumer as the designated auditor			
3.	Appointment of Group Audit Committee members:			
	3.1 L C Cele			
	3.2 T P Leeuw			
	3.3 G Pretorius			
4.	Re-election of directors retiring by rotation:			
	4.1 L C Cele			
	4.2 N N A Matyumza			
	4.3 S P Ngwenya			
5.	**Ordinary resolution number 1**			
	Adopt the amendments to the Hulamin Long Term Incentive Plan 2007 to allow for making awards not subject to performance conditions			
6.	**Special resolution number 1**			
	Approval of non-executive directors' fees			
7.	**Special resolution number 2**			
	Provision of financial assistance			
8.	Non-binding advisory vote – remuneration policy			

Signed at on this day of 2012

Signature

Notes to the form of proxy

1. A shareholder's instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholder's votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the Chairman of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
5. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the Chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

Summary in terms of section 58(8)(b)(i) of the Companies Act, No 71 of 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, No 71 of 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, amongst 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; and
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

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HULAMIN

www.hulamin.co.za