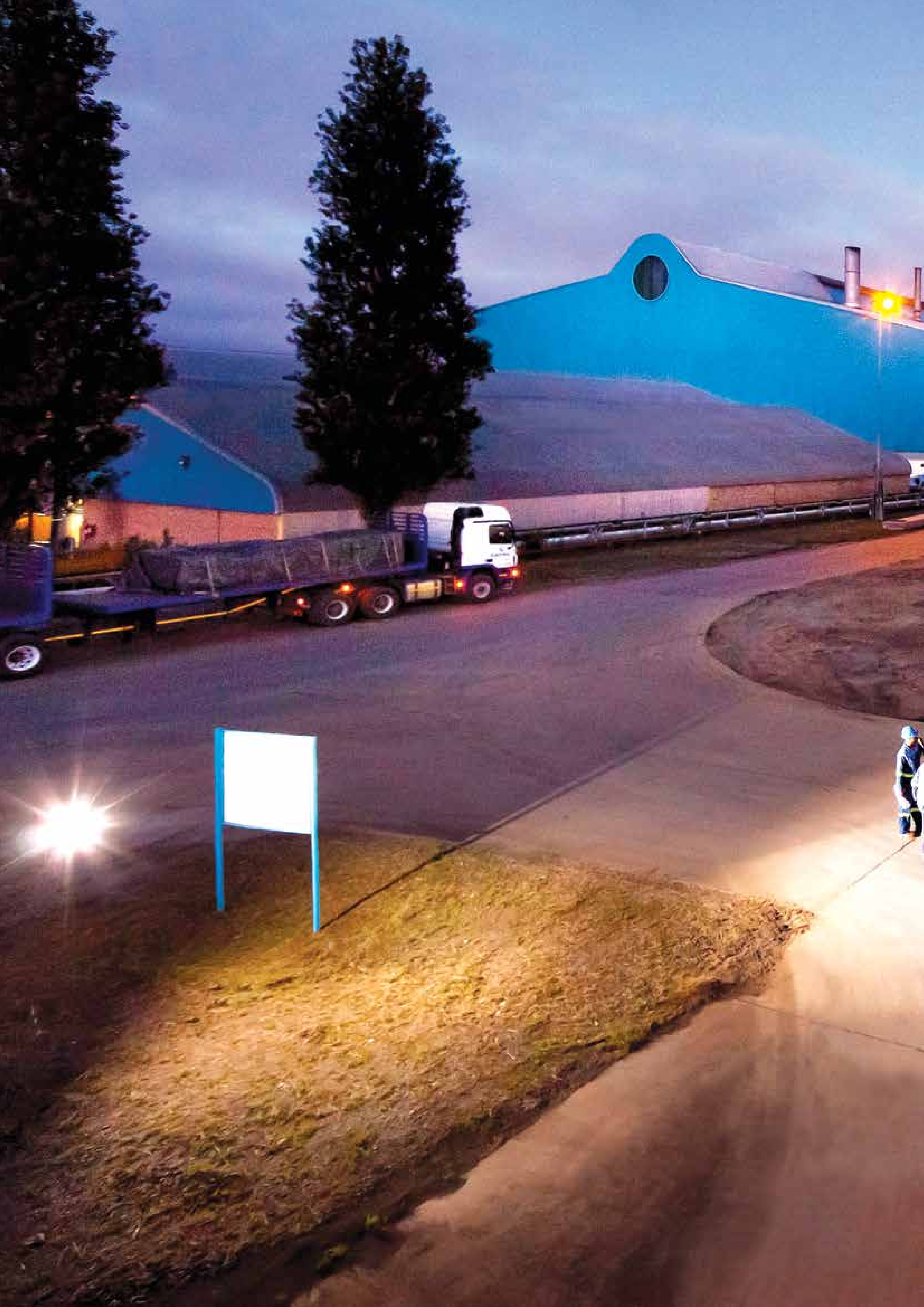
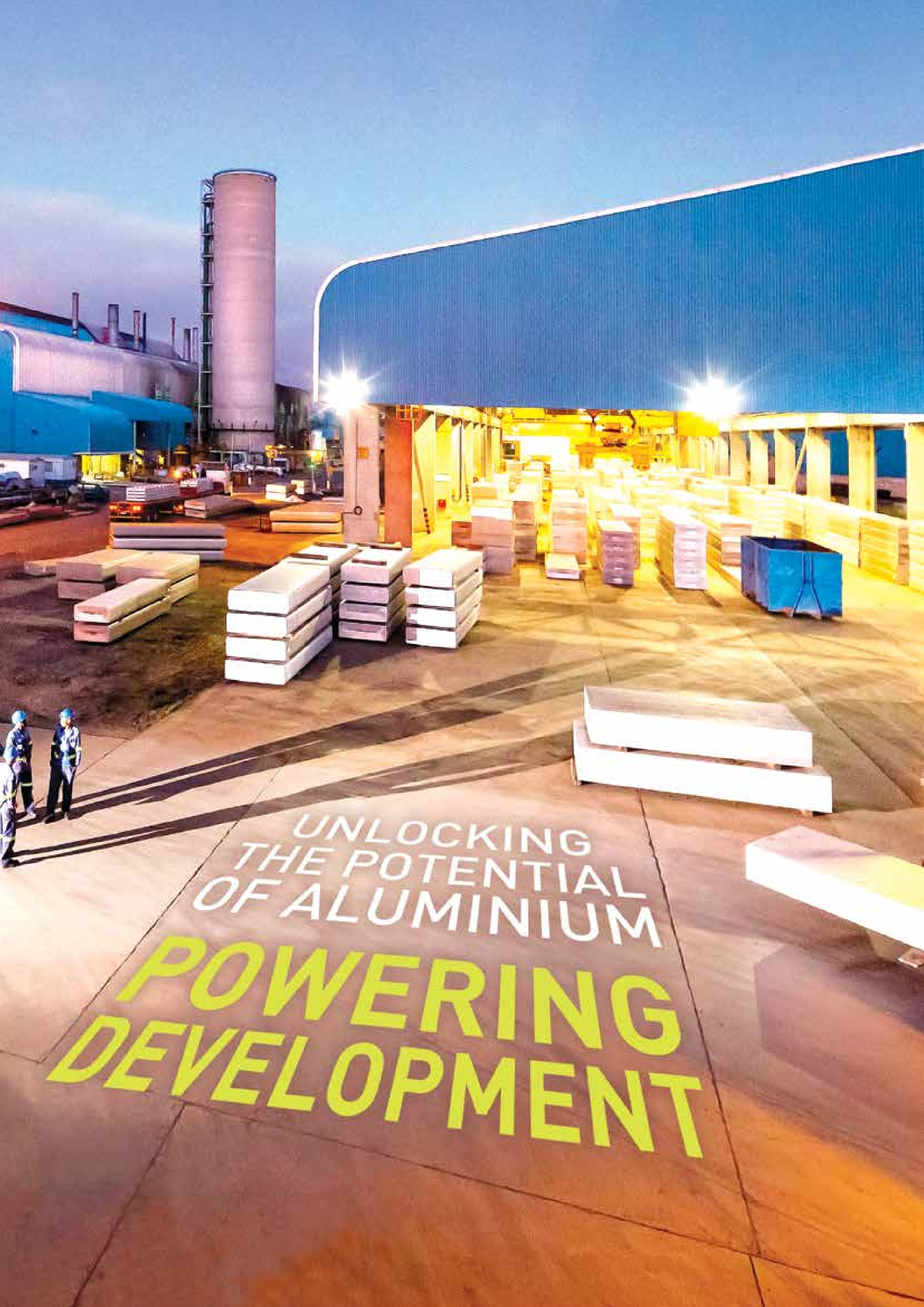

# Integrated Annual Report

For the year ended 31 December 2013

HULAMIN





# UNLOCKING THE POTENTIAL OF ALUMINIUM

# POWERING DEVELOPMENT


OUR SUITE OF 2013 REPORTS:
IR
INTEGRATED ANNUAL REPORT 2013
SR
SUSTAINABILITY REPORT 2013

# CONTENTS



IR This report is also available online at www.hulamin.co.za/iar2013

SR This report is only available online at www.hulamin.co.za/about-hulamin/sustainability

# ABOUT THIS REPORT

This integrated report provides a comprehensive review of how Hulamin creates sustainable value. It provides insight into the group's business model, changes in the external environment and the risks and opportunities that arise therefrom. The report details the strategic response of the group to these material issues and the group's governance structures which support the delivery of its strategic objectives. The report provides stakeholders with a greater understanding of the reliance of the group's business model on financial, manufactured, intellectual, human, social and natural capitals. It also sets out the financial and non-financial performance of the group and the impact of the group's operations on these capitals and provides insight into the prospects and future outlook for the group.

The scope of this report includes Hulamin Limited and its subsidiaries, listed on page 139. The report covers the financial reporting period 1 January 2013 to 31 December 2013.

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

- International Integrated Reporting Framework, December 2013
- King Report on Corporate Governance (King III)
- JSE Limited Listings Requirements
- Companies Act 71 of 2008 (as amended) and the Companies Regulations
- International Financial Reporting Standards

## ASSURANCE

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

Certain elements of this report have been independently assured, which have been detailed below. This assurance forms part of a combined assurance approach adopted by the group.

Assurance obtained by various assurance providers in respect of this integrated report:

| CONTENT | ASSURANCE PROVIDERS |
|---|---|
| Annual financial statements | PricewaterhouseCoopers Inc |
| Review of internal controls and risk management | KPMG Services (Pty) Ltd |
| BEE contributor level | AQRate Verification Services |
| Sustainability report (selected information) | KPMG Services (Pty) Ltd |

## MATERIALITY AND COMPARABILITY

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

There have been no significant changes to the content and scope of this report from prior years. In attempts to enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such. The accounting policy on long-term employee benefits changed during the year, in accordance with the revised accounting standard thereon (IAS 19 Employee Benefits). This detail has been disclosed in the financial statements and prior year figures have been restated accordingly.

## FORWARD LOOKING INFORMATION

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

## STAKEHOLDER ENGAGEMENT AND FEEDBACK

Hulamin is committed to building stronger stakeholder relationships, which are enhanced through various communications. Stakeholders are encouraged to provide feedback on this integrated report to Noma.Kanyile@hulamin.co.za, which will enable the group to gauge the accuracy and standard of its integrated reporting.

## APPROVAL OF THE INTEGRATED REPORT

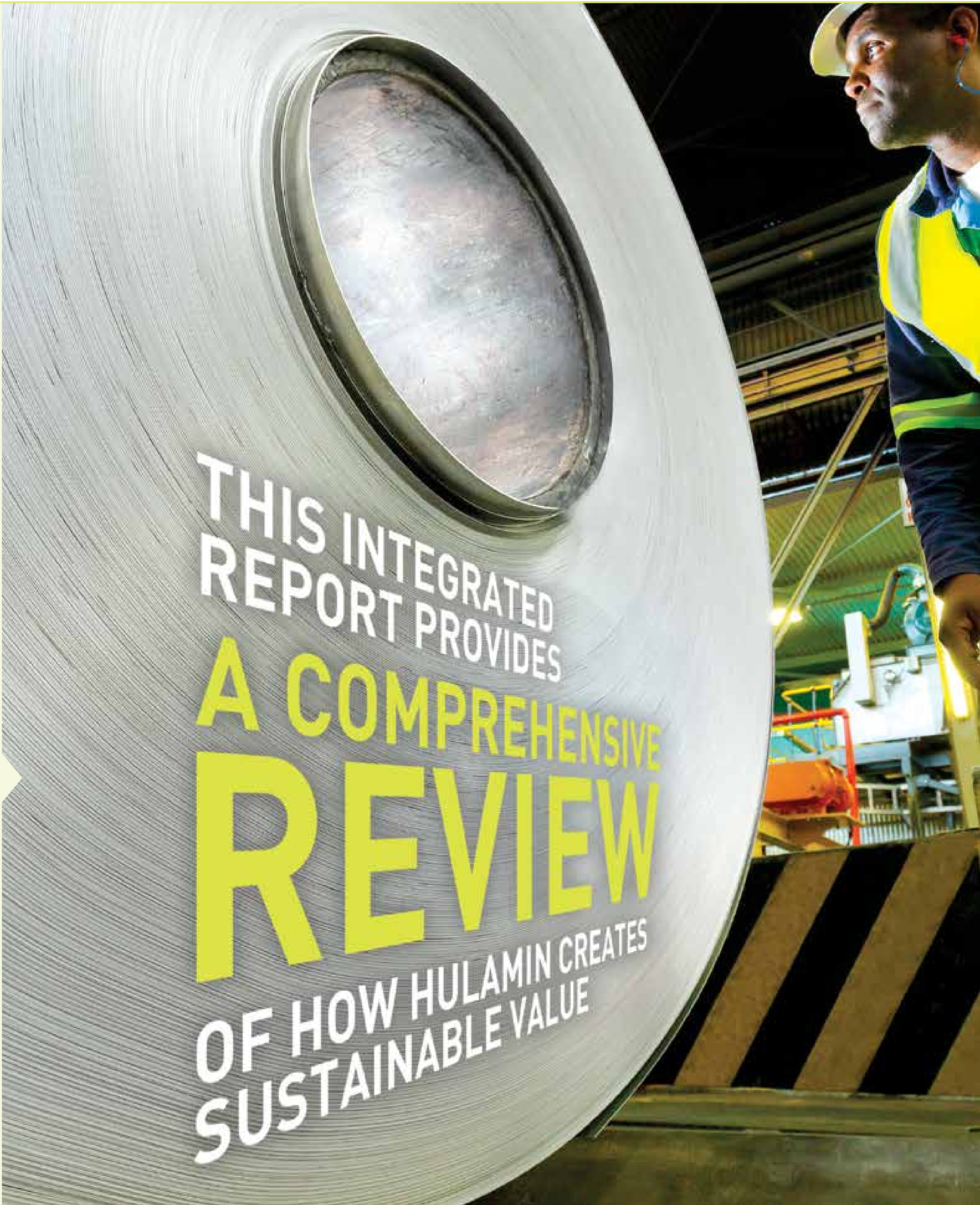
The board confirms its responsibility to ensure the integrity of this integrated report. The directors have collectively reviewed the content of this report and agree that it addresses all material issues and presents fairly the integrated performance of the group.

The board has accordingly authorised the release of the integrated report for 2013.

**Mafika Mkwanazi**
*Chairman*

**Richard Jacob**
*Chief Executive Officer*

20 February 2014


THIS INTEGRATED
REPORT PROVIDES
A COMPREHENSIVE
REVIEW
OF HOW HULAMIN CREATES
SUSTAINABLE VALUE

# HEADLINES

**NORMALISED EARNINGS** UP **251%** TO **R201 million**

**HEPS** INCREASED BY **128%** TO **57 CENTS** PER SHARE

**POSITIVE CASH FLOW** BEFORE FINANCING ACTIVITIES OF **R135 million**

NON-CASH ONCE-OFF NET **IMPAIRMENT** CHARGE OF **R1,53 billion**

**GROWING LOCAL SALES** CONTRIBUTION

**IMPROVED** PERFORMANCE FROM **HULAMIN EXTRUSIONS**

**REPLACEMENT** DEBT PACKAGE **R1,45 billion** WORKING CAPITAL FACILITY IN PLACE

**REVISED** STRATEGIC GOALS AND **REFOCUSED BUSINESS PLAN**

**R300 million** INVESTMENT IN AN ALUMINIUM **PROCESSING** AND **RECYCLING** FACILITY APPROVED

BBBEE **LEVEL THREE** CONTRIBUTOR STATUS **MAINTAINED**

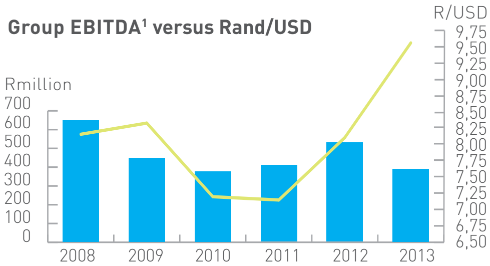
**EXTENSION** OF **ROLLING SLAB** SUPPLY CONTRACT TO DECEMBER 2014. ONGOING DISCUSSIONS REGARDING **LONGER-TERM AVAILABILITY** OF ROLLING SLAB FROM **BHP BILLITON**

# SALIENT FEATURES

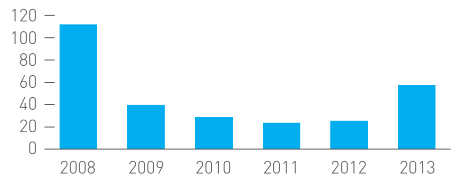
| | | 2013 | Restated 2012 |
|---|---|---|---|
| **Financial performance** | | | |
| Revenue | Rmillion | 7 560 | 6 542 |
| EBITDA[1] | Rmillion | 527 | 408 |
| Operating profit (excluding impairment) | Rmillion | 317 | 185 |
| Attributable earnings[2] | Rmillion | (1 345) | 29 |
| Headline earnings per share | cents | 57 | 25 |
| Normalised earnings[8] | Rmillion | 201 | 57 |
| Return on equity[3] | % | 4,5 | 1,7 |
| Net borrowings to shareholders' equity[4] | % | 18,0 | 15,6 |
| Net asset value per share | cents | 1 066 | 1 492 |
| Current ratio[5] | % | 3,4 | 3,3 |
| Cash flow before financing activities | Rmillion | 135 | 72 |
| Capital expenditure | Rmillion | 148 | 98 |
| **Sales volumes** | | | |
| Hulamin group sales volumes | '000 tons | 211 | 215 |
| Rolled Products sales volumes | '000 tons | 190 | 194 |
| **Economic indicators** | | | |
| Average Rand/USD exchange rate | R | 9,66 | 8,22 |
| **Share statistics** | | | |
| Total shares in issue | million | 319,3 | 318,1 |
| Share price (closing) | cents | 515 | 321 |
| Market capitalisation | Rbillion | 1,6 | 1,0 |
| **Employees** | | | |
| Total number of employees | | 1 876 | 2 087 |
| Employee cost to turnover | % | 10,1 | 11,5 |
| Skills development spend | Rmillion | 14,6 | 14,0 |
| **Safety** | | | |
| Lost time injury frequency rate | | 0,54 | 0,33 |
| Total recordable frequency case rate | | 1,00 | 1,00 |
| **Social and transformation** | | | |
| BBBEE expenditure | Rbillion | 5,4 | 3,7 |
| CSI spend | Rmillion | 0,8 | 1,0 |
| Enterprise development spend | Rmillion | 2,3 | 1,8 |
| **Environment** | | | |
| Carbon emissions intensity[6] | tons $CO_2$e/tons production | 1,85 | 1,85 |
| Energy consumption intensity[7] | GJ/tons production | 11,28 | 11,33 |
| Water consumption intensity | Kℓ/tons production | 2,82 | 2,86 |

1 *Earnings before interest, taxation, depreciation, amortisation and impairment of property, plant and equipment and intangible assets.*
2 *Includes R1,53 billion impairment charge, after tax (2012: R61 million).*
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 (excluding borrowings).*
6 *Using Eskom emission factor.*
7 *Consumption of LPG and electricity.*
8 *Refer page 115.*

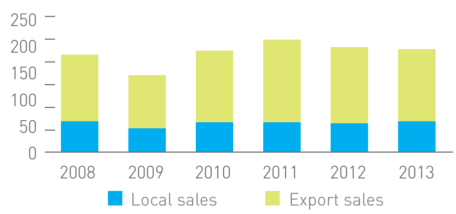
**Group EBITDA[1] versus Rand/USD**



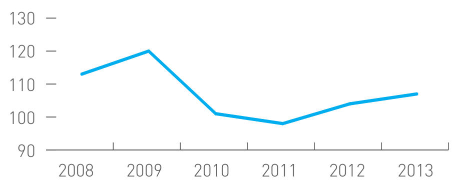

**Group HEPS** cents



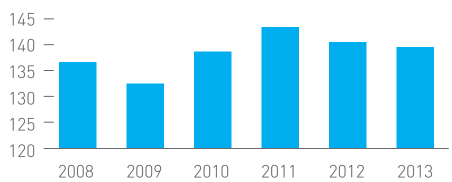

**Rolled Products sales volumes** tons (000s)




**Rolled Products unit cost index** in 2007 Rands




**Rolled Products $ margin index**



# LETTER FROM THE CHAIRMAN

**The company took a number of bold steps during year, including a revision to the strategic direction to include local supply into the manufacture of all-aluminium cans and the consequent growth of aluminium recycling, restructuring its operation and workforce and completing a debt refinancing.**

**In years to come we will look back at 2013 as another challenging year for manufacturing in South Africa. Both economic growth and business confidence remained subdued throughout the year.**

The manufacturing environment was characterised by some improvement to the automotive and mining equipment markets, deteriorating consumer confidence, strikes and a significant power tussle in organised labour. Confidence in the manufacturing economy was significantly and positively impacted by the sharp weakening of the Rand against the so-called hard currencies, but also negatively impacted by ongoing increases in labour and energy costs.

The US and EU economies, which account for just over 40% of our sales, continued to meander towards improvement and although these currencies and financial markets seemed to improve steadily, this did not flow measurably through into the real economy. China continued on its path of dominating global manufacturing and in the aluminium industry, its ongoing impact is to negatively impact margins.

The company took a number of bold steps during year, including a revision to the strategic direction to include the manufacture and local supply of all-aluminium cans and the consequent growth of aluminium recycling, restructuring its operation and workforce and completing a debt refinancing. This progress led to an in-depth assessment of the carrying value of the company's assets on its balance sheet and the board taking the decision to correct the gap between the company's existing net asset value and value-in-use through a once-off impairment of R1,53 billion after tax.

## CORPORATE GOVERNANCE

The directors of Hulamin are fully committed to realising ongoing improvements in the area of corporate governance, in particular engaging with integrity, transparency, responsibility, fairness and accountability with all stakeholders. Corporate governance is covered in more depth on pages 60 to 69 of this report.

## STAKEHOLDER ENGAGEMENT

Hulamin recognises that its sustainable growth depends on building strong and mutually beneficial relationships with many diverse stakeholders, and has as such resolved to be responsive to the needs and expectations of different stakeholders. In 2013 Hulamin continued to strengthen relations, particularly with relevance to the supply of primary aluminium and the ongoing national debates around aluminium and electricity. Stakeholder engagements are covered in more detail in the social and relationship capital section on pages 48 to 49.

## SUSTAINABILITY

Hulamin remains committed to sustainable growth and prosperity, recognising their interconnectedness. Key areas of focus remain safety, health and environmental risks, the necessity for sustainable customer, supplier, employee, community and other stakeholder relations, long-term primary metal supply and effective asset management.

Hulamin will also increase its efforts to engage constructively with government to build a sustainable and successful aluminium industry, and in particular one that contributes to job and wealth creation, poverty alleviation and the growth of the manufacturing sector in South Africa.

We continue to make good progress in improving the monitoring, recording and reporting of our carbon footprint amongst a range of other sustainable improvements. Sustainability matters are covered in the human, social and relationship and natural capital sections of this report on pages 48 to 53, and extensively in the online sustainability report.

## AVAILABILITY OF ROLLING SLAB AND EXTRUSION BILLET

Long-term security of local supply of rolling slab and the local availability of extrusion billet remains uncertain. Hulamin has continued to engage with BHP Billiton and other stakeholders to mitigate long-term supply risks, and to rebuild an expanded aluminium industry for the benefit of all South Africans. The current slab supply agreement with BHP Billiton expires at the end of December 2014.

## ADVANCING OUR STRATEGIC AIMS

During the year the board endorsed management's strategic plans to reposition the company to attain the following goals:

- Being an excellent aluminium semi-fabricator
- Being globally cost competitive
- Growing the regional market
- Having secure and competitive long-term metal supply
- Having a regulatory environment that is beneficial to all South Africans

As part of this revised strategic thrust, the board also approved an investment in state-of-the-art aluminium scrap recycling equipment.

I would like to thank Charles Hughes for his 37 years of outstanding service to Hulamin, most recently as Chief Financial Officer since 2007, and wish him well on his retirement.

I am delighted to welcome David Austin as our new Chief Financial Officer and Simon Jennings as an independent, non-executive director to the board. Simon brings a wealth of international manufacturing experience, particularly in the beverage can industry.

## CONCLUSION

Hulamin's financial performance improved measurably in a tough year. The board and I are confident in the strategic direction the business is taking and look forward to continued market recovery and improved manufacturing performance, and resulting benefits for all stakeholders. I would therefore like to thank the board, the executive and employees for their commitment to Hulamin during 2013.

## Organisational Overview

# GROUP AT A GLANCE

Hulamin is a leading, mid-stream aluminium semi-fabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal and Midrand, Gauteng, supported by sales offices in South Africa, Europe and the USA. As the only major aluminium rolling operation in sub-Saharan Africa, Hulamin is one of the largest mineral beneficiating exporters in South Africa, with over 60% of its sales exported to leading manufacturers around the world, focusing on specific product and end-use markets.

Hulamin is committed to the growth of the regional Southern African aluminium industry and making a meaningful contribution to sustainable development in Southern Africa. Hulamin employs over 2 000 people and contributes materially to the sustainability of the local Pietermaritzburg community.

## HISTORY

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

## GROWTH

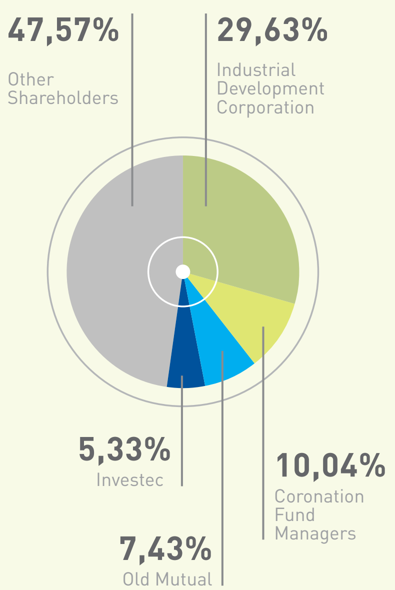
The company has grown and expanded its operations to cover a full range of rolled and extruded aluminium products.

Hulamin operates modern aluminium rolling equipment as a result of its two recent major expansion projects. The first was completed in 2000 at a cost of R2,4 billion and increased annual capacity to 200 000 tons. The second expansion project, at a cost of R950 million and completed in 2010, increased nameplate capacity to 250 000 tons and the capability for the production of higher value products, thin gauge foil and heat-treated plate.

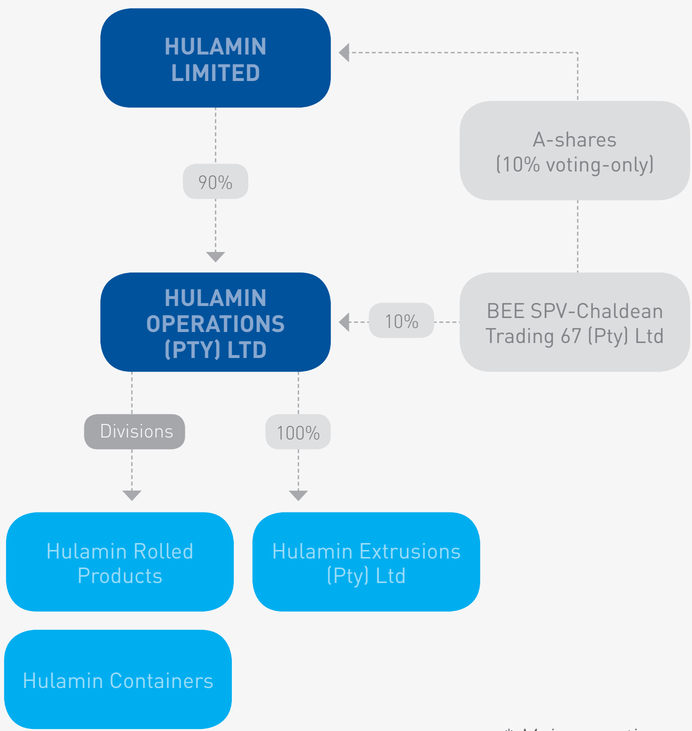
In 2007, Hulamin unbundled from Tongaat Hulett Limited and listed on the main board of the JSE in the Aluminium sub-sector of the Industrial Metals and Mining sector.

## SHAREHOLDERS

at 31 December 2013




## HULAMIN GROUP STRUCTURE*




* Main operating entities

# OPERATING SEGMENTS

## HULAMIN ROLLED PRODUCTS

Semi-fabrication of rolled aluminium products

### PRINCIPAL ACTIVITIES

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

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

### KEY MARKETS

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

Hulamin Containers, a downstream business in the rolled products segment, is South Africa's leading producer of rigid aluminium foil containers for the catering industry and for household use.

### KEY STRATEGIC FOCUS AREAS

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

## HULAMIN EXTRUSIONS

Semi-fabrication of extruded aluminium products

### PRINCIPAL ACTIVITIES

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

### KEY MARKETS

Hulamin Extrusions supplies the local engineering and architectural markets with a wide range of extruded aluminium profiles in both standard and custom shapes.

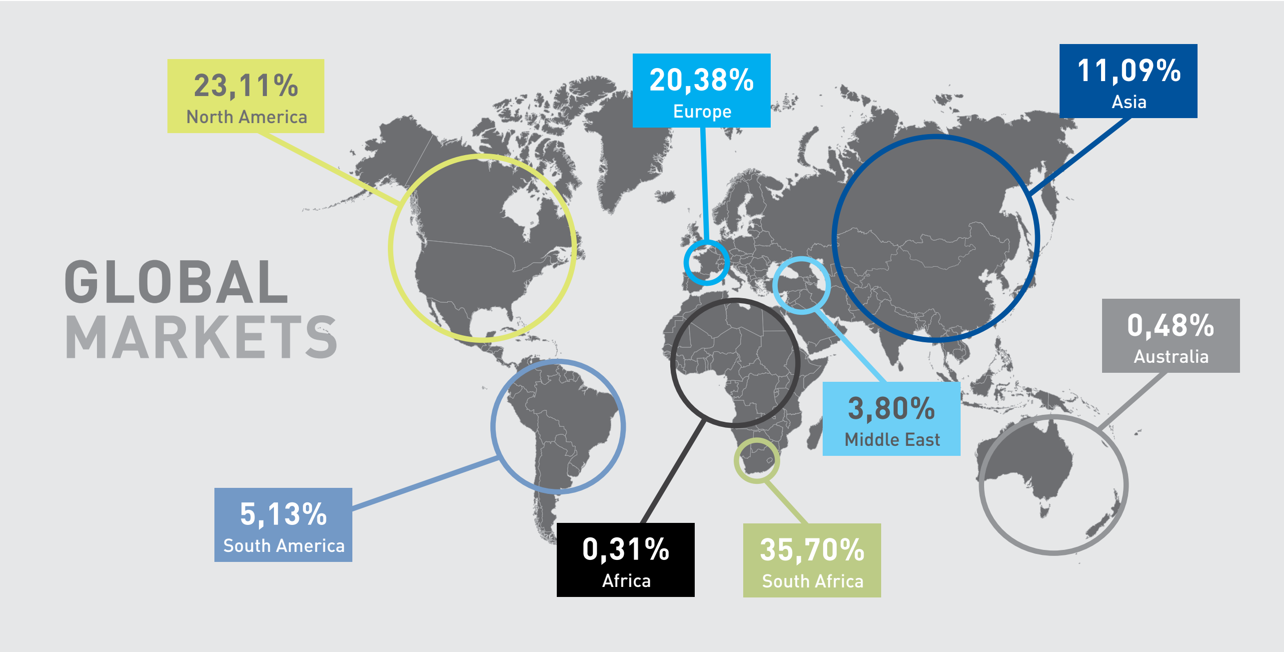
Hulamin also holds a 49% share in Almin Metal Industries Limited, a Zimbabwean extrusion-intensive business.

### KEY STRATEGIC FOCUS AREAS

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

| R'000 | Rolled Products | Extrusions |
|---|---|---|
| Revenue | 6 783 158 | 776 849 |
| EBITDA* | 469 213 | 57 996 |
| Normalised earnings | 170 699 | 30 744 |
| Total assets | 5 443 306 | 286 566 |

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



# BUSINESS MODEL AND RELIANCE ON KEY CAPITALS

## BUSINESS MODEL IN BRIEF

### What we do

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

### Metal inputs

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

One-third of Hulamin's rolling slab requirements is bought in from the BHP Billiton Bayside cast house.

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

Aluminium slab and billet are the feedstock for the rolling and extruding processes respectively.

### Rolled products

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

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

### Extruded products

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

### Operating costs

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

### Markets

Hulamin Rolled Products is primarily an export business (in excess of 70%), due to the current small size of the local aluminium downstream industry relative to the capacity of the Hulamin plant, which has the necessary scale to be globally competitive.

Hulamin Extrusions is a supplier to the domestic market.

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

## KEY RESOURCES (CAPITALS) IMPACTING HULAMIN[1]

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### FINANCIAL CAPITAL

Gearing ratio (net debt over total capital):

15% (book value); 27% (market value)

Debt to equity ratio: 18% (book value);

37% (market value)

**Equity**

- Book value: R3,4 billion; market value: R1,6 billion
- 30% non-public shareholders (Industrial Development Corporation)
- 70% public shareholders
- No dividends declared for the year ended 31 December 2013

**Borrowings**

- Net borrowings: R612 million (all current)
- Total committed three-year borrowing facilities of R1,45 billion (Nedbank) include a general 360-day facility of R250 million and a revolving working capital facility of R1,2 billion secured against inventory and receivables
- Net interest of R63 million accrued for the year ended 31 December 2013

**Cash generation**

- Net cash inflow for the year ended 31 December 2013: R163 million

1

### NATURAL CAPITAL – LOCAL ALUMINIUM SMELTERS

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

7

### NATURAL CAPITAL – HULAMIN OPERATIONS

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

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### NATURAL CAPITAL – ALUMINIUM SCRAP

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

3

## MANUFACTURED CAPITAL – LOCAL ALUMINIUM SMELTERS

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

5

## MANUFACTURED CAPITAL – BHP BILLITON ALUMINIUM CASTING FACILITY

Bayside aluminium smelter and cast house (source of one-third of Hulamin's requirements for rolling slab for the rolling operation)

6

## MANUFACTURED CAPITAL – HULAMIN OPERATIONS

**Remelt and casting**

Hulamin's remelt operations consist of:

- Three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year
- An aluminium reclamation operation (refer 10 below)
- Two twin roll casters, which are able to process scrap and primary metal into coil, with the capacity to produce 20 000 tons of coil per year

**Rolling**

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

**Extruding**

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

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## MANUFACTURED CAPITAL – SCRAP PROCESSING

Hulamin operates an aluminium reclamation operation which consists of a shredding line, de-coater and induction furnace which is used to process light and coated scrap to produce aluminium sows that are fed into the three slab production lines (refer 6 above). A R300 million investment in a scrap sorting, processing and recycling facility was approved in 2013

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## INTELLECTUAL CAPITAL

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

2

## SOCIAL AND RELATIONSHIP CAPITAL – GOVERNMENT

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

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

4

## SOCIAL AND RELATIONSHIP CAPITAL – SUPPLIERS (METAL)

Relationship with BHP Billiton in respect of the supply of primary aluminium melting ingot from Hillside and the supply of rolling slab from Bayside

8

## SOCIAL AND RELATIONSHIP CAPITAL – SUPPLIERS (NON-METAL)

Relationship with key non-metal suppliers, including:

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

11

## SOCIAL AND RELATIONSHIP CAPITAL – CUSTOMERS AND MARKETS

**Relationship with customers**

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

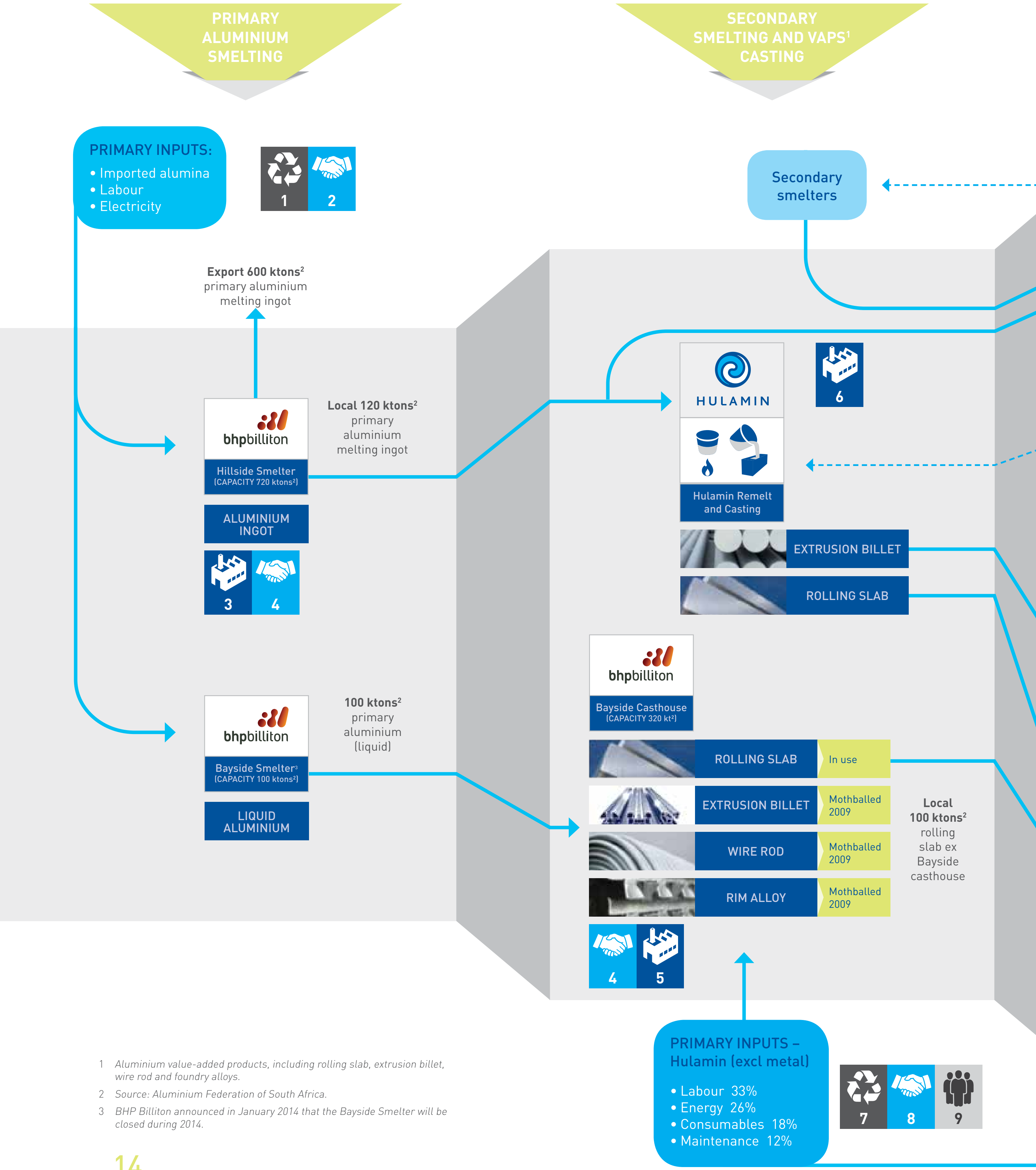
9

## HUMAN CAPITAL

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

1 *The capitals listed here reference into the business model graphic overleaf.*

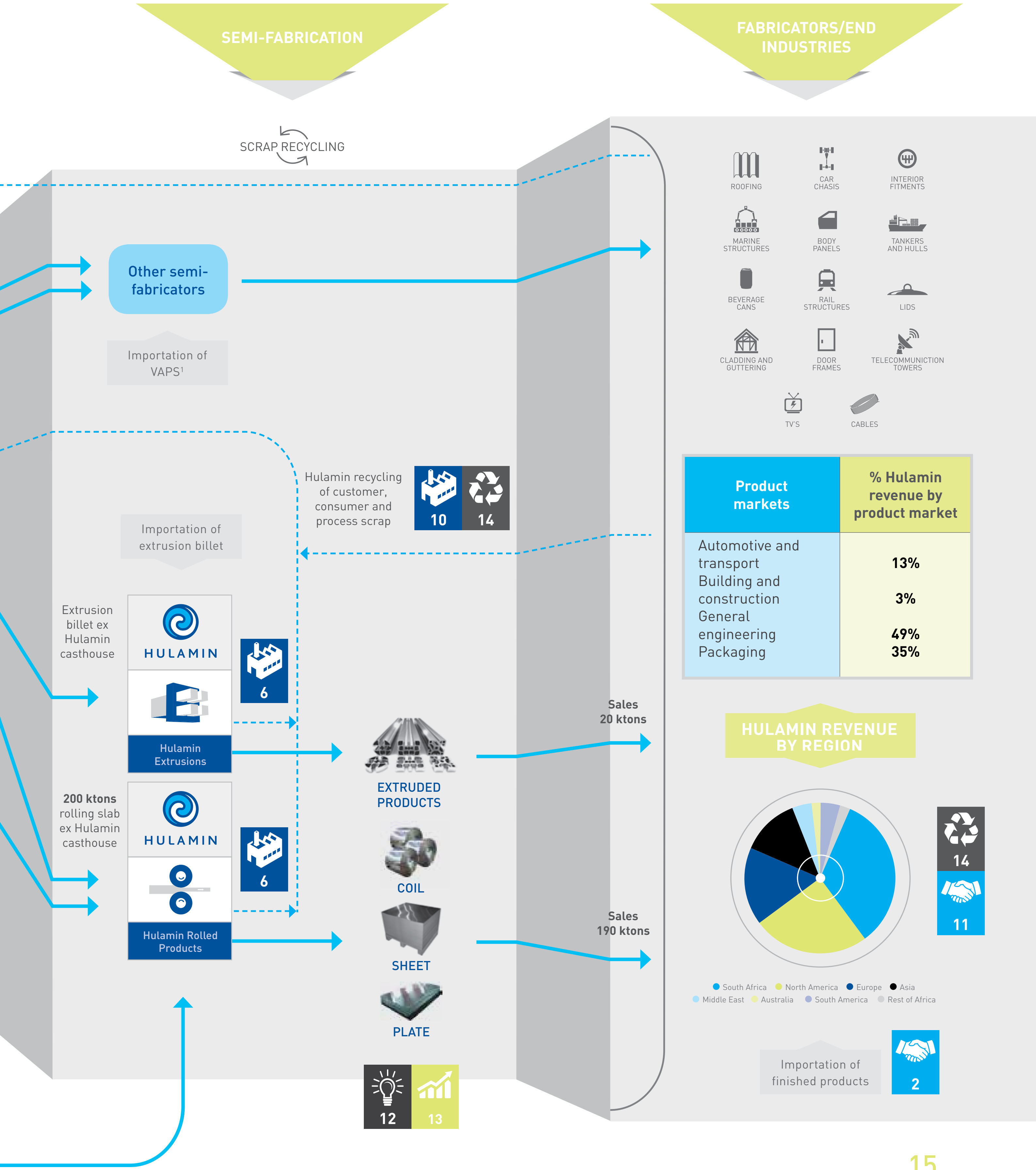
# BUSINESS MODEL AND RELIANCE ON KEY CAPITALS continued




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

2 Source: Aluminium Federation of South Africa.

3 BHP Billiton announced in January 2014 that the Bayside Smelter will be closed during 2014.




| Product markets | % Hulamin revenue by product market |
|---|---|
| Automotive and transport | 13% |
| Building and construction | 3% |
| General engineering | 49% |
| Packaging | 35% |

# HULAMIN PRODUCTS – HOW WE ADD VALUE TO ALUMINIUM

## HULAMIN – ADDING VALUE TO PRIMARY ALUMINIUM

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

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

PRIMARY ALUMINIUM

### REMELT AND CASTING OPERATIONS

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

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

### ADDING VALUE

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

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

### THE ROLLING PROCESS

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

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

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

### ADDING VALUE

Hot rolling increases density, strength and ductility and cold rolling is used to further harden and strengthen the product, balancing between strength and ductility as required.

Further finishing processes deliver the appropriate properties and qualities required for each specific product application, and include:

- **Annealing:** A re-heating process performed to regulate the mechanical properties or permit further reductions in thickness during cold rolling
- **Coating:** The application of paint and lacquer to clean and pre-treated aluminium coil, followed by oven curing, is required for certain applications such as beverage can ends
- **Processing:** Further processing is often required to obtain the appropriate widths, lengths or coil sizes, flatness and metal surface cleanliness required by customers. This is achieved through further processing through precision slitters, cut-to-length lines, shears, tension levellers, embossing rolls and degreasing lines

### THE EXTRUSION PROCESS

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

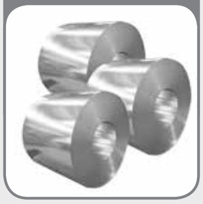
The completed extrusion is cut off the die, cooled, mechanically treated and aged to give it the required mechanical strength properties, and may be further coated, anodised and/or fabricated to provide the final specification required by the customer.

### ADDING VALUE

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

## OUR PRODUCTS

### COIL

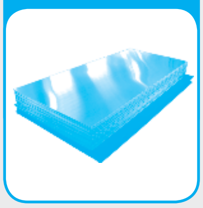


Typical alloys:1XXX, 3XXX, 4XXX, 5XXX, 7XXX, 8XXX, 9XXX

### SHEET

Typical alloys: 1XXX, 3XXX, 4XXX, 5XXX, 7XXX, 9XXX

### PLATE



Typical alloys: 1XXX, 5XXX, 6XXX

### EXTRUSIONS

Typical alloys: 6XXX

## PRIMARY MARKETS AND APPLICATIONS FOR OUR PRODUCTS

### AUTOMOTIVE AND TRANSPORTATION

**Key properties:**
Lightweight, corrosion resistant, recyclable, strong and ductile

- **Automotive clad tube stock and finstock** – used in the manufacture of automotive heat exchangers such as radiators, charge aircoolers, condensers and evaporators
- **Plate and heat-treated plate** – used in the production of aerospace components, truck bodies, trailers, tankers, boats and train wagons
- **Heatshield products** – used for containing heat within engine compartments

### PACKAGING

**Key properties:**
Lightweight, corrosion resistant, impermeable, odourless and recyclable

- **Can body and coated can-end and tab stock** – used in the manufacture of cans for the beverage industry
- **Converter foil** – used in the production of laminated cartons and confectionary packets for the food and beverage market
- **Household foil**
- **Rigid container foil**
- **Laminated foil**
- **Closure sheet** – for use in the manufacture of bottle caps

### BUILDING AND CONSTRUCTION

**Key properties:**
Lightweight, corrosion resistant, good reflective qualities, strong and long life

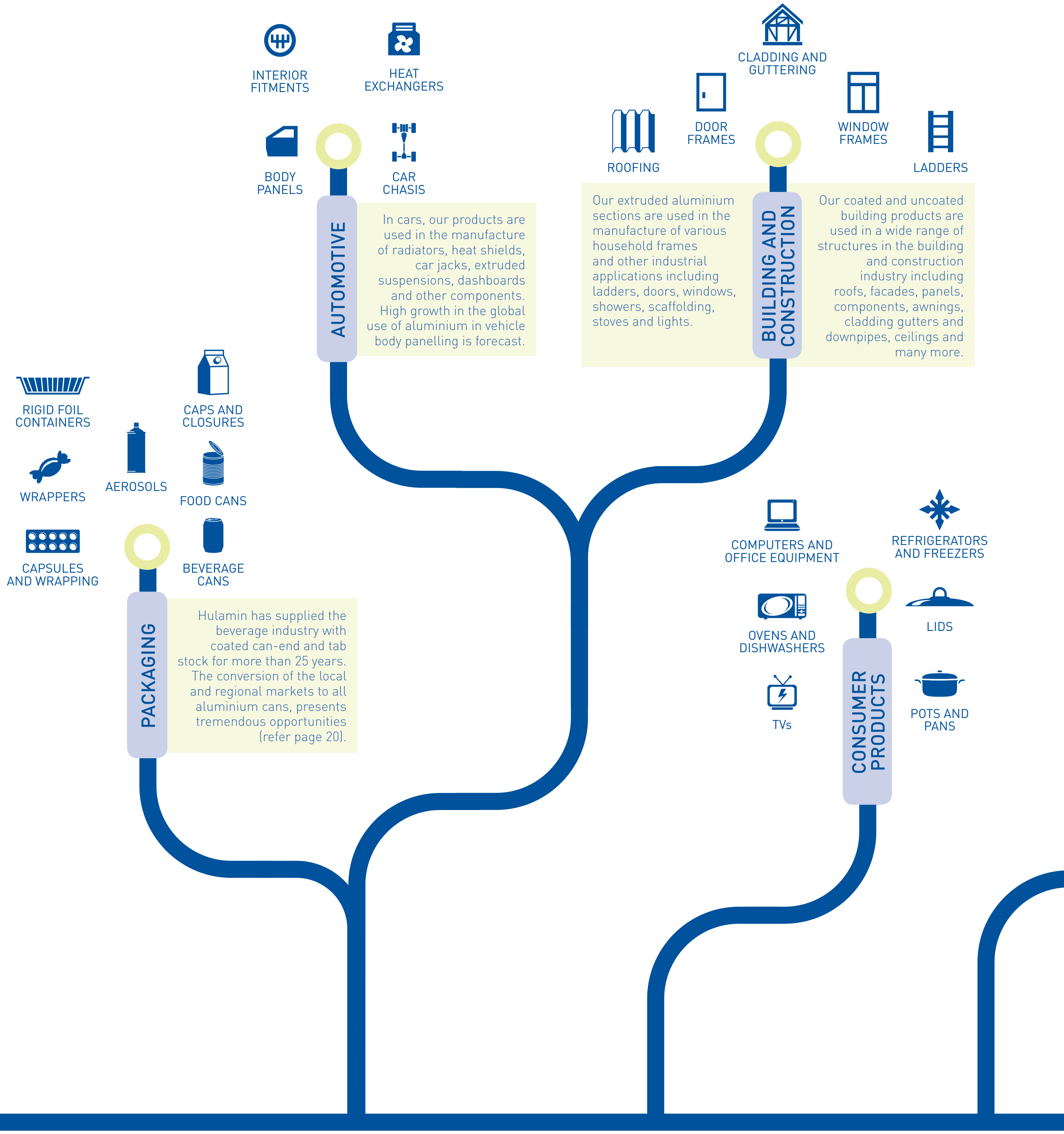
- **Painted and mill finish building coil and sheet** – used in a wide range of applications including roofing, cladding, ceilings, gutters and downpipes
- **Extrusions** – used in the manufacture of various household frames and other industrial applications

### GENERAL ENGINEERING AND DURABLE CONSUMER GOODS

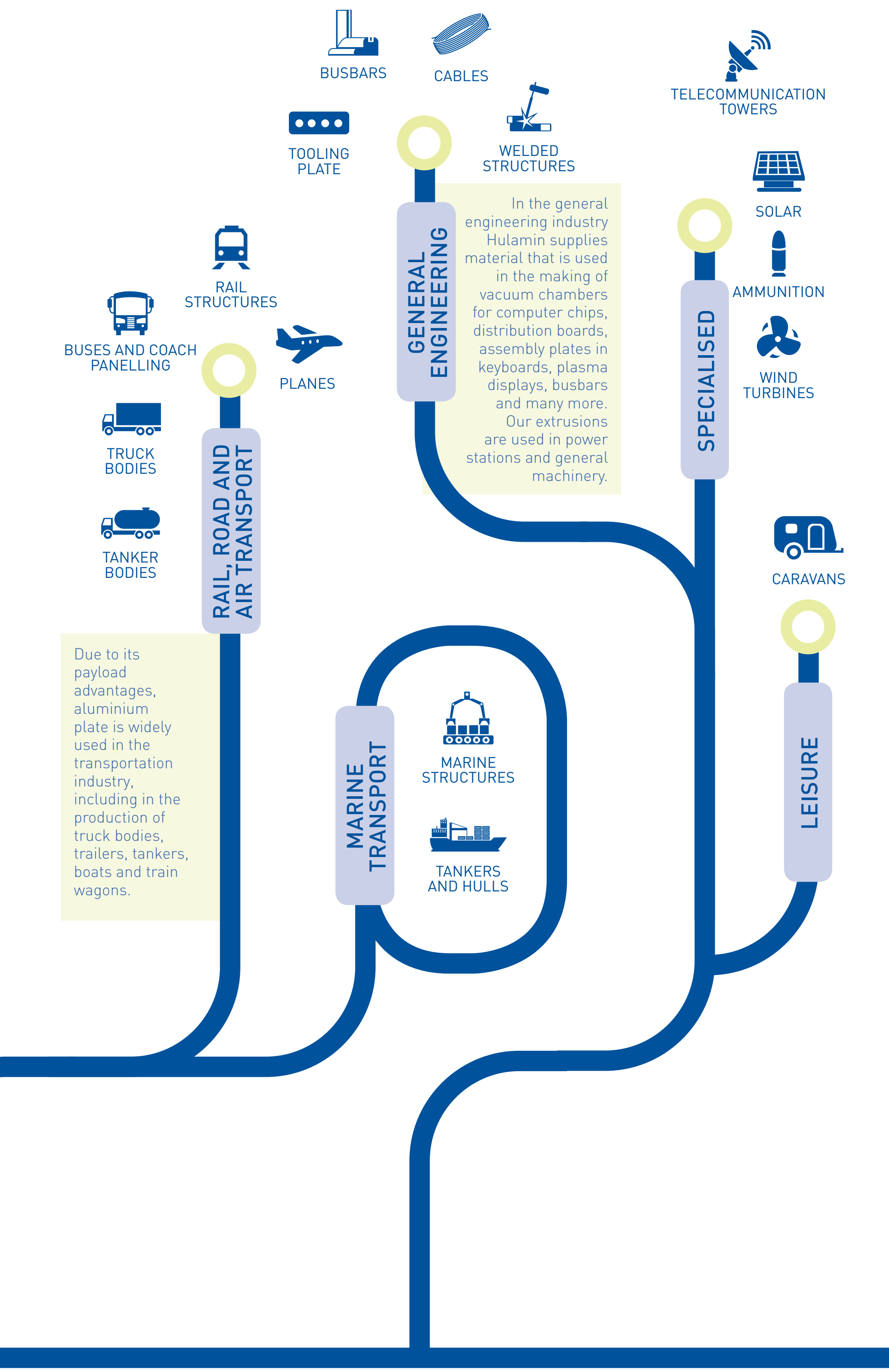
**Key properties:**
Corrosion resistant, excellent heat and electricity conductor, strong and ductile and aesthetically pleasing

- **General engineering coil and sheet products** – used in items such as electronics, computers, office products and durable consumer goods
- **Plate and heat-treated plate** – used in vacuum chambers for the manufacture of computer chips, plasma displays, distribution boards and numerous other applications
- **Finstock products** – used in the manufacture of domestic and industrial air-conditioning systems
- **Extrusions** – numerous applications and developing opportunities such as solar components

# APPLICATIONS FOR OUR PRODUCTS




SEMI-FABRICATION UNLOCKS THE POTENTIAL OF PRIMARY ALUMINIUM, ENABLING NUMEROUS APPLICATIONS ON WHICH SOCIETY IS DEPENDENT




## ALUMINIUM: ESSENTIAL TO THE DEVELOPING WORLD

With the world's focus on the need to sustain and protect scarce natural resources and with a growing population, there is an increasing trend towards storage and preservation. We recognise the need to reduce, reuse and recycle.

Aluminium has properties which are well suited to address these needs and help create a sustainable future.

Packaging reduces the pressure on global agriculture as it has the ability to store and preserve. Aluminium used in food packaging has great barrier properties, is corrosion resistant and can be formed into a variety of shapes. These properties, and the fact that aluminium is infinitely recyclable, promotes aluminium's ability to store and preserve.

Primary aluminium acts as an energy bank and is used in the manufacture of all applications. Recycling these aluminium applications uses only 5% of the original energy used to produce it. By using and recycling aluminium, we place less pressure on the environment and pave the way to a sustainable future.

Aluminium is durable and corrosion resistant, and when it is used in construction, it allows for an increased lifespan. Solar panels are an increasingly important means of creating and preserving energy and are also manufactured from aluminium.

Globally, we are seeking to reduce our impact on fossil fuels. Lightweight passenger vehicles and trucks built mainly from aluminium are lighter and therefore consume less energy.

Hulamin plays a key role in allowing aluminium to create a sustainable future in Southern Africa.

# ALL-ALUMINIUM CANS – LINED UP FOR PRODUCTION

The beverage industry in South Africa saw a new lease of life for cans following the decision by Nampak Bevcan to convert its beverage can production lines from steel to aluminium-bodied cans. These long-laid plans came to fruition when the first locally-produced all-aluminium cans went to market in May 2013.

This move is in line with the global trend of replacing tin-plated steel beverage cans with full aluminium cans. The all-aluminium can is popular worldwide and has become increasingly more attractive than steel, owing to its lightweight, corrosion-resistant features, its low cost of recycling as well as its ability to be cooled rapidly. In addition, aluminium has lower raw material and transport costs and better printing qualities. Aluminium cans are also one of the most successfully recycled packaging products internationally.

The conversion of Bevcan's beverage can production lines is progressing well, with one new line installed and a second line converted during 2013. The installation of this second line would increase potential demand for Can Body Stock (CBS) in South Africa by more than 10 000 tons per annum. Bevcan's initial plans included the conversion of a further two of its can production lines from tin-plated steel to aluminium. Subsequently Nampak announced plans to establish a fifth aluminium can production line due to increasing regional demand for the beverage can.

In 2012 Hulamin entered into a groundbreaking agreement with Bevcan to supply aluminium coil for the manufacture of these aluminium-bodied beverage cans. Hulamin's volume of local can body stock sales is forecast to increase to around 15 000 tons by 2015, in addition to the local can-end and tab stock, which Hulamin currently supplies. Hulamin will switch a portion of its rolled products, which have typically been exported, to the new product range destined for the local and regional market. The conversion of the can body to aluminium in Southern Africa is a significant step in growing Hulamin's local sales and the initial sales contract represents a 30% growth in its local sales of rolled products.

Bevcan will initially supplement its required supply with rolled aluminium can body coil imports, while Hulamin ramps up aluminium can body coil manufacturing and deliveries.

2013 saw the first full-scale commercial trials of Hulamin's CBS in beverage can manufacturing plants in Europe, the Middle East and South Africa. The product and process development programme at Hulamin exceeded expectations and our customers were able to produce beverage cans for retail on our first trials in all the can plants. Following this comprehensive development and qualification programme, commercial supply is set to start during the first quarter of 2014.

Hulamin has invested in international expertise to ensure that our capability is world class, that our production process is robust and that our product matches the exacting standards of our customer. An international expert on CBS production has been commissioned by Hulamin to perform an independent audit of the developed manufacturing process and to provide further training and expertise.

Bevcan will commission their third aluminium line in 2014 and add new beverage can sizes which will increase the footprint of aluminium in the market. Hulamin will work closely with Bevcan to develop the supply of CBS required to meet the different specifications for beverage cans in the 440 mℓ and 500 mℓ formats.

The relationship between Nampak and Hulamin remains on strong footing and we were singled out for praise by their leadership team in market presentations. Both organisations continue to explore opportunities to extend the supply relationship and the investment by Nampak Bevcan in can manufacturing plants in Angola and Nigeria could see the realisation of this ambition. Bevcan's requirement for aluminium CBS to the African West Coast could be as high as 25 000 tons annually in the next few years based on these investments, with further potential for growth.

The change to aluminium cans will bring recycling spin-offs and create new job opportunities at Hulamin's Pietermaritzburg operations. Hulamin is making an investment in recycling infrastructure to enable it to procure used beverage cans and other secondary (post-market) metal units available in South Africa and the regional market. Hulamin's investment in a processing line will mean that used beverage cans will be cleaned and decoated before melting and casting into aluminium rolling slabs, thereby creating a "closed loop" in the manufacturing and recycling processes.

The value of used aluminium cans is considerable – aluminium scrap is many times more valuable than steel and is able to be recycled at low cost. The impact on the local recycling market is likely to be significant. Hulamin aims to buy back the used, empty aluminium cans from scrap dealers to process and recycle them for reuse. Growth in demand for aluminium cans in the next few years could bring hundreds of millions of Rands into the economy, enabling people who survive on refuse picking to benefit from a higher price for the cans they sell to scrap metal dealers.

Aluminium can production – Nampak Bevcan Springs plant

# SOLAR COMPONENTS – SUPPORTING RENEWABLE ENERGY

Renewable energy has become one of the world's most prolific growth areas in the power generation (electricity) sector over the past two decades. The price of solar energy equipment has reduced to such an extent that green energy principles are being adopted by governments, industries and private consumers around the world. The growth of this sector is also being favoured more and more by the international community as a more sustainable and affordable solution than other sources of energy.

Following the ongoing challenges in the supply of electricity, the South African government recognised the need for additional power generation in the early 2000s and through the White Paper on Renewable Energy, embarked on an ambitious programme to address shortfalls through the introduction of a renewable energy (REn) sector that could supply the South African market with 20% of its electricity requirements by 2030. The REn sectors include wind, biomass and landfill gas, photo-voltaics (PV), concentrated solar power (CSP) and hydro generating technologies. In total 17 800 MW has been targeted for the REn sector by 2030 to assist with the government's vision of establishing a sustainable renewable energy business sector.

Currently six bid phases of the government's Renewable Energy Independent Power Producer Programme (REIPPP) are anticipated, three of which are in various stages of bid submission and completion. 2013 saw the start of construction of the projects for Bid Phase 1 (BP1) and solar power. 19 PV projects were awarded in BP1, of which a number have already gone live and are feeding renewable energy into the national grid. Eight PV farms have been allocated in BP2 and another six have been given preferred bidder status during the bid adjudication process for BP3. The solar farms have been largely concentrated in the Northern Cape, which enjoys very conducive weather conditions for maximising solar energy production.

All projects, under the auspices of the Department of Energy, are required to be structured in such a way to support BBBEE, social development and upliftment of communities in the areas of implementation. There are also local content requirements to support South African industries. Through stringent and increasing local content targets,

the government wishes to support the sustainability of the local solar component manufacturing sector by "securing" business for expansion, capital investment and technology acquisition.

Hulamin Extrusions has partnered with a number of well-established international solar companies in the construction of these farms, some of which were major international players, in order to meet tight tolerance specifications and comply with project quality plans, and tight delivery schedules to meet project plans. In doing so, Hulamin Extrusions was associated with the supply of the solar panel support structures and brackétry for approximately 343 MW of installed capacity, partnering with large international players such as Terrafix, Schletter and Sun Edison in the process.

From the exceptional lightweight characteristics to the required final shape, along with the durability of the metal, made aluminium extrusions the preferred product in these applications.

With careful planning and project management to meet tight quality and delivery deadlines, as well as the unique capability of its large 10 inch, 3 800 metric tons press in Pietermaritzburg, Hulamin Extrusions was able to benefit from the growth in the renewable sector during 2013.

Looking ahead and in line with government's focus, reviewing of carbon tax legislation, net metering, installation rebate policy and continuing electricity cost escalations, the rooftop solar sector is expected to enter a strong growth phase.

Existing roofs are limited in terms of load bearing capacity and the additional weight of the solar (photo-voltaic or water) installation particularly favours aluminium due to its high strength to weight ratio compared to competing, heavier metals.

The renewable energy sector is about to embark on the second and third phases of the REIPPP and Hulamin Extrusions is keenly awaiting the growth of the renewable energy sector, in line with international market trends.

Photovoltaic installation on the Mustek building in Midrand
*Photo supplied by Green Habitat*


A66
A67
ONLY FROM RACK A52 TO A72
A65
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# Vision, Operating Environment, Risk and Strategy



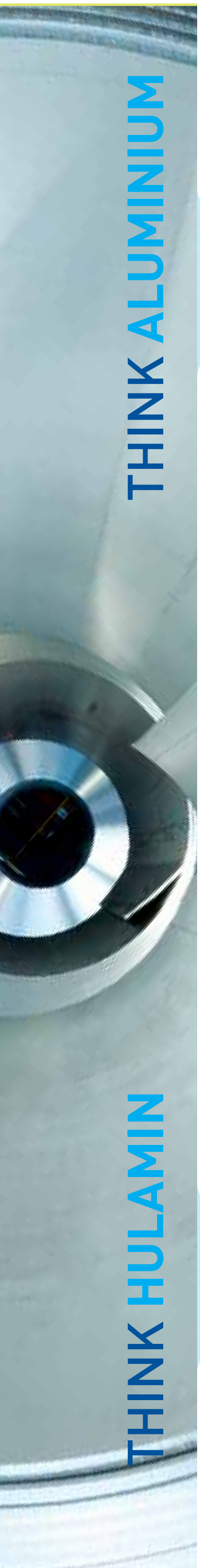
# THE ROLE AND FUTURE OF HULAMIN AND ALUMINIUM IN SOUTH AFRICA

## VISION: HULAMIN

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

## VISION: ALUMINIUM CREATING VALUE IN THE SOUTH AFRICAN ECONOMY

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




## ROLE FOR ALUMINIUM IN SOUTHERN AFRICA

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

**DRIVER OF ECONOMIC GROWTH AND CONTRIBUTOR TO NATIONAL ACCOUNTS**

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

**ENERGY BANK**

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

**KEY INPUT FOR FABRICATION**

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

**SOURCE OF LIVELIHOOD**

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

**VEHICLE FOR TECHNOLOGICAL INNOVATION**

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

**LEADER IN RECYCLING**

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

## ROLE FOR HULAMIN IN THE LOCAL ECONOMY

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

**CREATOR OF ECONOMIC VALUE AND HUMAN CAPITAL DEVELOPER**

- Contributor to national accounts through the export of semi-fabricated aluminium
- Provider of employment
- Supports and promotes investment in downstream fabrication industries
- Procurer of local goods and services

**LEADER IN SOUTH AFRICAN ALUMINIUM VALUE CHAIN**

- Largest supplier of aluminium raw materials to South African manufacturing industry
- Aluminium technology provider and developer
- Driver of foreign direct investment in downstream manufacturing
- Unlocks the properties inherent in primary aluminium for use in a variety of industries and product applications
- Leader in recycling
- Promoter of aluminium usage in the local economy

**REGIONAL SOCIAL PARTNER/STABILISER**

- Transformation/BBBEE leader
- Procurer of goods and services
- Social investor
- Major regional employer

**EXPORT MANUFACTURER**

- Earner of foreign currency/balance of payments

**PREFERRED SUPPLIER OF ALUMINIUM MANUFACTURING INPUTS**

- Responsible international-quality supplier to the local market
- Enabler of economic growth

**MAJOR PARTNER IN METALS SEMI-FABRICATION**

- Technology – developer and partner in government support programmes
- Partner with government and other industry players to support NDP vision

**LEADER IN MANUFACTURING EXCELLENCE**

- Developer and provider of skilled people
- Benchmark in metals processing

**POSITIVE COUNTER TO ALUMINIUM SMELTING CARBON FOOTPRINT**

- Stimulator of aluminium usage
- Leader in metals recycling in local economy

# EXTERNAL ENVIRONMENT, OPPORTUNITIES AND THREATS

## GLOBAL PRIMARY ALUMINIUM INDUSTRY

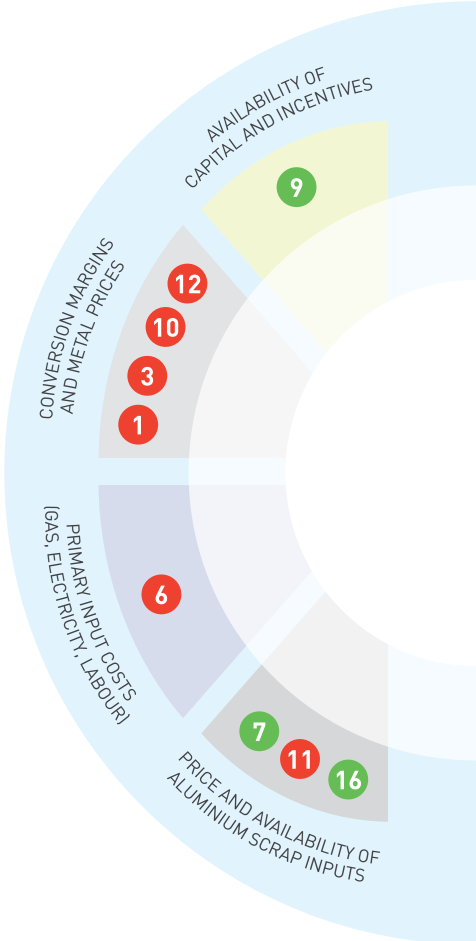
### SITUATION AND TRENDS

- Steady growth in global consumption of aluminium (driven predominantly by China, but also Brazil, India and North America)
- However, global supply in excess of demand, resulting in underperformance of LME aluminium price relative to other metal commodities
- Concerns over slower Chinese economic growth, volatile emerging market currencies and the curtailing of the Federal Reserve's bond-buying programme have contributed to accelerated decline in the LME aluminium price
- Predominance of high metal premiums in recent years, which have insulated marginal smelters from impact of low LME aluminium price. However, rapid surge in premiums in the first quarter of 2014 and increased volatility have put pressure on producer and consumer sectors
- Impact of growing pressure to reduce carbon emissions and changing energy environments will place pressure on high-cost smelters
- Global shift towards recycling scrap as an alternative input to primary aluminium gaining momentum

### IMPACT, OPPORTUNITIES AND THREATS

1 • High, rising and volatile metal premiums put pressure on producers and consumers, introduce "margin squeeze" risk, impact demand for aluminium products, put pressure on establishment and maintenance of multi-year/long-term contracts

2 • Falling LME puts pressure on high-cost, marginal producers




## SOUTH AFRICAN PRIMARY ALUMINIUM INDUSTRY

### SITUATION AND TRENDS

- Cost (labour) and price pressures (low LME aluminium price) on local BHP Billiton aluminium smelters
- Local aluminium smelters are significant electricity consumers and have been the focus of significant negative media attention and public sentiment due to the preferential deals which they have with Eskom whilst local electricity supply is constrained and other consumers have incurred sharp escalations in electricity pricing
- Local smelters export the majority of primary aluminium in an unbeneficiated form, whilst the Bayside value-added products (VAP) casthouse is underutilised, leading to large-scale importation of aluminium VAPs by the local downstream industry at high cost
- Proposed carbon tax legislation will have a significant negative impact on the aluminium smelters which could potentially render them unviable, however, the local downstream industry, which is reliant on these smelters, is not carbon intensive

### IMPACT, OPPORTUNITIES AND THREATS

3 • Upward pressure on primary metal pricing to local semi-fabrication industry

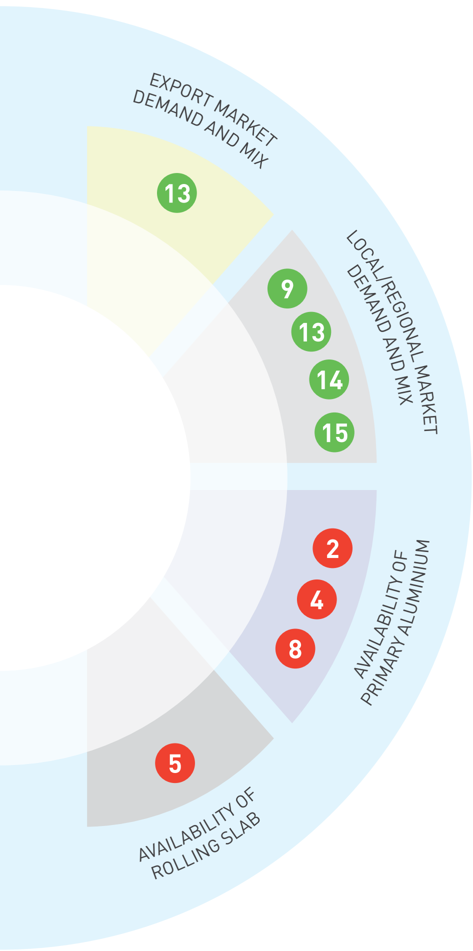
4 • Viability of local primary aluminium smelters under pressure:
  – Closure of BHP Billiton's Bayside smelter announced (January 2014)
  – Pressure on BHP Billiton's Hillside smelter remains

5 • Future of BHP Billiton's Bayside cast house remains uncertain

## SOUTH AFRICAN ECONOMIC AND POLITICAL ENVIRONMENT

### SITUATION AND TRENDS

- Industrialisation is a national priority. Government policy is seeking to restructure the economy toward more value-adding, labour-intensive and environmentally sustainable growth. Focus on improving exports of beneficiated products
- National focus on energy efficiency and recycling initiatives
- South African government is becoming increasingly aware of role for trade agreements and regulatory frameworks to protect and support the economy
- Labour costs escalating above inflation, combined with significant volatility and unrest in labour relations
- Availability and supply shortages of local gas and increasing and high pricing. Opportunities to unlock shale gas
- Constraints in availability of electricity supply and increasing prices




## GLOBAL ALUMINIUM SEMI-FABRICATION MARKET

### SITUATION AND TRENDS

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

### IMPACT, OPPORTUNITIES AND THREATS

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

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

12 • Increased pressure from imports on domestic manufacturing

13 • Growth in demand for new and non-traditional applications for aluminium, such as consumer electronics and military markets. Significant growth in automotive sectors forecast

## REGIONAL MARKET DEVELOPMENT

### SITUATION AND TRENDS

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

### IMPACT, OPPORTUNITIES AND THREATS

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

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

16 • Increasing availability of aluminium scrap in the region

### IMPACT, OPPORTUNITIES AND THREATS

6 • Increasing local cost base and reduction in supply availability (labour, electricity and gas)

7 • New scrap export legislation will promote local processing of scrap for the benefit of local industry

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

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

# STRATEGIC OBJECTIVES

Hulamin reviewed its strategic objectives and refreshed its business plan in 2013. Hulamin's strategy centres on five main strategic priorities, which aim to achieve its vision by taking advantage of opportunities, mitigating threats in the medium to long term and reducing risk in the business model of Hulamin.

## 1

### ACHIEVE BENCHMARK OPERATIONAL PERFORMANCE

- Deploy and sustain the Integrated Manufacturing Approach (IMA)
- Develop a cost-competitive culture
- Develop optimised product mix
- Volume growth
- Margin improvement
- Develop and execute a process capability and competency framework
- Maintain a cost-competitive skilled workforce

In order for Hulamin to remain competitive and sustainable, it must improve operational performance levels to targeted levels based on global benchmarks for similar operations.

This includes optimising the following operational variables:

- Manufacturing excellence – throughput, quality, recoveries, consumption efficiencies and equipment reliability
- Customer satisfaction – quality, on-time delivery and long-term reliability
- Sales mix, margin and volume – maximise profitability whilst simplifying the business where possible

Underpinning the achievement of world-class operational performance is the necessity for skilled and motivated employees.

### 2013 HIGHLIGHTS

- Lower yields achieved by Rolled Products, resulting from an unfavourable product mix, planned maintenance in hot rolling and bottleneck in cold rolling
- Rightsizing of workforce and restructuring of organisation, including the recruitment of manufacturing skills
- Strong performance from Hulamin Extrusions

## 2

### ACHIEVE GLOBAL COST COMPETITIVENESS

- Reduce gas unit costs
- Primary metal supply pricing
- Achieve 25% of metal inputs from scrap
- Maintain a cost-competitive skilled workforce
- Logistics and coatings costs

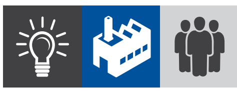
Hulamin needs to continue to reduce its input costs in a sustainable manner to remain globally competitive. Hulamin is, accordingly, focusing on its major cost items, primarily the cost of employment, energy and price of aluminium. The following actions are in progress to address cost competitiveness:

- Conversion of gas supply from LP gas, which is supplied in trucks from various oil refineries, to piped natural or methane-rich gas at a substantial saving
- Sourcing more than 25% of metal as scrap (at a price below the LME aluminium price), thereby displacing higher cost primary metal supply (growth in local market demand and recycling capacity are prerequisites)
- Reduction in the cost of processing secondary metal units processed on site (process scrap)
- Strategic sourcing and commodity management approach to drive reduction in input costs
- Consumption efficiency improvement initiatives (gas, rolling oils, packaging, paints and lacquer)
- Logistics optimisation initiatives

### 2013 HIGHLIGHTS

- Rightsizing of workforce at a once-off cost of R25,6 million, leading to a reduction in annual cost of employment of around R60 million
- Three-year wage agreement with hourly-paid employees concluded
- Approval for R300 million investment in scrap separation, processing and recycling facility
- Feasibility study commenced into natural or methane-rich gas supply to Hulamin's operations in Pietermaritzburg

Key capitals supporting delivery of strategy



## 3

### GROW LOCAL AND REGIONAL SALES

- Aluminium can market
- New local and regional market development
- Expand presence in sub-Saharan Africa
- New product development initiatives

Hulamin has a competitive advantage in the local and regional economy but, to date, this market has been able to support only around 30% to 35% of Hulamin's sales. With the growth in sub-Saharan Africa and the corresponding increase in per capita income, the consumption of aluminium in the region is set to grow significantly. This will allow Hulamin to focus its product range and will also increase the availability of aluminium scrap in the region, with its attendant benefits.

Hulamin and the established local aluminium supply industry is well-placed to support and promote the growth and investment in local downstream fabrication of a wide variety of product applications, increased supply of which is necessary to meet the burgeoning demand in the region.

#### 2013 HIGHLIGHTS

- Successful processing of aluminium beverage can body stock products by Hulamin
- The ramp-up of the conversion of the local and regional beverage can market to all-aluminium cans gathers momentum:
  - Nampak announced acquisition of aluminium can maker in Nigeria, the conversion of the can line at its operations in Angola to aluminium and the installation of a new all-aluminium can line at its local Rosslyn beverage can operation
- Restructuring and resourcing of Hulamin's market development team

## 4

### SECURE, COMPETITIVE ALUMINIUM SUPPLY

- Sustainability and optimisation of BHP Billiton Bayside cast house
- Sustainability of BHP Billiton Hillside smelter

Hulamin and the local downstream aluminium industry are dependent on primary aluminium supply from the BHP Billiton Hillside smelter in Richards Bay. As the smelter is a large consumer of electricity at a time when this resource is in short supply locally, it has recently been the subject of much public scrutiny.

Hulamin is also dependent on the importation of billet for its extrusions operations and the supply of 100 000 tons of rolling slab from BHP Billiton's Bayside casthouse, which supplements the 200 000 tons produced by Hulamin's remelt and casting facility.

The growth in sales of aluminium to the local market, particularly for use in beverage cans (with its high turnaround cycle), creates the opportunity for increasing use of competitively-priced scrap by Hulamin instead of primary aluminium.

#### 2013 HIGHLIGHTS

- BHP Billiton has announced that its Bayside smelter would be closed during 2014
- The supply contract for rolling slab from BHP Billiton's Bayside casthouse has been extended to December 2014 and Hulamin continues to participate in ongoing discussions regarding the longer-term availability of slab from this casthouse
- Approval obtained for R300 million investment in scrap separation, processing and recycling facility
- Continued growth in pace of conversion of the regional beverage can market to the all-aluminium can

## 5

### SUPPORTIVE REGULATORY ENVIRONMENT

- Import tariffs
- Local scrap protection
- Carbon tax
- Incentives and grants

The aluminium industry presents the local economy with significant opportunities for economic growth, industrial development, job creation, transformation and energy efficiency. Hulamin recognises its leadership role in working with government to realise these opportunities.

Hulamin and the aluminium industry, in turn, require the support of government to assist to manage the unfair competition from low-priced imports, making appropriate infrastructure available at an appropriate cost (e.g. gas pipeline), ensuring the retention and availability of aluminium scrap generated in South Africa, prescribing local content requirements in infrastructure projects, stimulating the attractiveness of the region for foreign direct investment, continued competitiveness investment support and ensuring that the imposition of carbon pricing measures are competitive and non-punitive.

#### 2013 HIGHLIGHTS

- Scrap export legislation promulgated in August 2013
- Growth in regional beneficiation of aluminium
- Approved investment in aluminium recycling facility

## Performance, Outcomes and Future Outlook



# CHIEF EXECUTIVE OFFICER'S REVIEW

**Progress in Hulamin's turnaround reached tipping point in 2013 in five major areas. These include structuring the balance sheet, refining the business' strategic goals, securing long-term metal supply, rightsizing and restructuring the organisation in progressing local and regional can stock market opportunities.**

## REVISION TO HULAMIN STRATEGIC GOALS AND BUSINESS PLAN

Hulamin's business plan was birthed in the early 1990s when the first major Rolled Products capacity expansion was conceived. With almost all top tier aluminium rolling plants in the world situated in high-cost first-world countries and with Hulamin's enviable Alcan-based technology competence and relatively low-cost environment in South Africa, a major $550 million quadrupling of capacity was approved in 1996. Based on a fledgling and growing local all-aluminium can market, a growing local economy and South Africa's welcome as the world's most recent and successful democracy, Hulamin embarked on a new and ambitious business plan as the preferred supplier in a small and rapidly growing local market and as a major, competitive-cost producer of high value products to be exported to large global markets.

Sales grew strongly through the early 2000s, as did Hulamin profits. As the South African Rand began to strengthen against a weakening Dollar, and as rising costs and risk in South Africa became ever more dominant, the local economy started to stagnate. The all-aluminium can in South Africa was still-born and China rose to dominate global manufacturing, including aluminium rolling, and the electricity crisis and its effect on aluminium in the region became a national debating point. The need to refocus the business and find a new business plan had become pressing.

Over the past three years, we have strategically examined the role for aluminium in Southern Africa and particularly the role for Hulamin, resulting in a revision of our business plan to deliver improved results in a shorter time horizon. This has resulted in a refocused Hulamin business plan to capture the following five goals:

1. **Meeting operational performance benchmarks**
   The first priority for achieving success remains the performance of the operations. These include increasing sales volumes towards full capacity and achieving the other key performance benchmarks, which include rolling margins, product yields, unit costs and customer quality returns. Regardless of the other strategic goals, at the core of our success must be a well-run, competitive manufacturing operation.

2. **Achieving global cost competitiveness**
   Part of our cost competitiveness results from efficiencies and operational performance (which is covered in the first strategic pillar). This second pillar covers the need to secure globally competitive prices for our manufacturing inputs. These include power (electricity and gas), metal (the price we pay for primary aluminium and scrap), employment, logistics and coatings.

3. **Growing local and regional sales**
   The rapid GDP growth forecast in the sub-Saharan African region, the growth of the beverage can industry specifically and Hulamin's regional competitiveness provide the rationale to increase our focus on growing local and regional sales. Hulamin aims to more than double its sales into Southern Africa by 2020.

4. **Secure, competitive aluminium supply**
   As the largest manufacturer of aluminium products in a region where there is both large-scale aluminium smelting and a current shortage of electricity, it is appropriate for Hulamin to play a key role in securing the long-term sustainability of the aluminium smelters. There is an additional opportunity to reduce input cost in the form of scrap aluminium that will become available from the manufacture and post-consumer collection of aluminium beverage cans.

5. **Supportive regulatory environment**
   The fifth pillar of the revised strategic vision is to work with government and other stakeholders in the creation of a competitive and supportive regulatory environment.

## RESTRUCTURING THE HULAMIN BALANCE SHEET

In ensuring that Hulamin has the appropriate balance sheet to deliver on its strategic vision, a number of changes became pressing in the years immediately leading up to 2013. Two major issues required specific attention: the constraints posed by the historical debt package and the valuation of fixed assets.

## NEW DEBT PACKAGE

At the time of the last capital raising, the R750 million rights offer in 2010, Hulamin secured a term loan of R630 million, a R550 million 360-day notice facility and a R250 million Forward Exchange Contract facility to cover hedging requirements. There were several shortcomings with this package that required a more appropriate long-term debt structure. These mismatches included the fixed nature of the facilities that was effectively financing working capital whose value is volatile and is driven by the exchange rate and US Dollar aluminium price, and the stringent cash flow and profit-driven covenants that posed ongoing default risk.

Hulamin began exploring various options during 2012 and 2013 to secure more appropriately structured working capital facilities. Through a rigorous selection process, it became clear that the preferred option was a fully underwritten package from Nedbank that included a R1,2 billion three-year Metal Inventory and Receivables Facility, a R250 million general banking facility and a R200 million forward currency facility. Agreements were signed in September and a successful transition commenced immediately. The new debt package has two covenants including a minimum 1,5 times current ratio and minimum 0,5 times debt/equity ratio, posing little risk of impacting ongoing operations or default.

## IMPAIRMENT

Hulamin has invested comprehensively in its fixed assets, particularly since 1996 when the first major US$550 million Rolled Products expansion was approved. Further investment totalling US$120 million (R970 million) was approved in 2006, resulting in the carrying value of Hulamin's non-current assets totalling some R4,8 billion and total assets of some R7,9 billion on Hulamin's balance sheet.

Since these investments were made, and particularly the second Rolled Products expansion, the aluminium rolled products world and the Hulamin position in it have changed significantly. The rise of China as a massive global manufacturing base has had a major impact on manufacturing globally, eliminating jobs in high-cost countries, reducing the price of manufactured products, and forcing manufacturers to examine competitive advantage and value propositions. Chinese manufacturing growth has negatively impacted the selling prices (margins) of aluminium rolled products around the world, directly through competition and indirectly through increased protectionist measures in previously open global markets. Possibly the most severely impacted of these markets has been the global aluminium foil market, which is now dominated by Chinese manufacturers. Average international selling prices for thin gauge foil are now in the region of US$500/ton less (almost 25% lower) than those estimated in 2004 and 2005 when the feasibility study for the second Rolled Products expansion was conducted.

An additional high impact factor that has driven the decision to review Hulamin's carrying value of its fixed assets is the erosion of the local market to imports (largely from China and other low-cost countries) and the consequent drop in domestic prices, frequently to below other similar countries.

The impact of this declining cost competitiveness and margin pressure, exacerbated by rampant input cost increases, supply disruptions, imported rolled and extruded products in the local market without tariff protection and general weak local demand, has prompted the revalidation of growth assumptions and a resultant revaluation of plant and equipment in terms of accounting standard IAS 36, translating to the net R1,53 billion after tax, once-off non-cash impairment charge.

## EMPLOYMENT ENVIRONMENT, RIGHTSIZING AND RESTRUCTURING

In many respects, 2013 was the continuation of the 2012 domestic labour environment. South African civil society continued to face a period of self-reflection and anger that was sparked by historic events that unfolded in 2012 in Marikana. Throughout 2013, service delivery protests and spontaneous eruptions of worker and community frustration were reported. Striking workers became a regular feature on television screens, aptly illustrated by the violence and anger in the Western Cape agricultural workers minimum wage protests.

Impacting Hulamin, a number of extended strikes occurred in the high profile and fragile automotive sector, resulting in the loss of a significant volume of local brazing sheet sales. Hulamin faced the same and increasingly militant union, NUMSA, who took its cue from other high demand negotiations nationally and raised its wage demands for Hulamin workers, resulting in an extended stand-off negotiating period that lasted from April to October. Fortunately, we reached a reasonable settlement with a three-year agreement lasting until 2016.

Following an extensive review of our manning levels, including a number of international benchmarks, we had come to a conclusion late in 2012 that an employment rationalisation and restructuring exercise was necessary for ongoing competitiveness. Although the process was executed as expeditiously as the Labour Relations Act allowed, the process of consultation and negotiation with employees and their representatives was extended by approximately 60 days. This resulting uncertainty for employees took its toll on production, morale and performance. In addition, a number of skilled employees unaffected by the rightsizing also tendered their resignations during the year.

## OPERATIONAL PERFORMANCE

Operating performance in Hulamin Rolled Products fell short of targets in 2013. Having completed a comprehensive analysis of contributors and root causes, and while there are multiple issues, a few items stand out.

# CHIEF EXECUTIVE OFFICER'S REVIEW continued

In the first half, market conditions and particularly soft international plate margins resulted in an imbalance in the profile of orders available. The effect of this imbalance was an overload on cold rolling capacity and bottlenecks developed in cold rolling as well as other machine centres.

An unusual feature of 2013 was the high frequency of equipment failures that would normally have been prevented or avoided by normal management. Asset management is one of Hulamin's core operational requirements due to the high capital equipment nature of the business and numerous root cause analyses point to assets being kept in operation longer than would have been ideal over the past four or five years.

However, a further factor that aggravated an already challenging year was the high frequency of human error in process and quality-related problems, where standard practices were not followed, and this was reflected in the 0,8% decline in yield for the year. This can partially be attributed to tougher internal quality controls, but is an important area of focus for the year ahead.

We have concluded from the analysis above, the operational performance in 2013 was negatively impacted by numerous human-related problems and typifies the climate experienced by many employees during the rightsizing that was completed in August and the protracted wage negotiations thereafter, that took almost a full three months longer than usual to settle.

## COST COMPETITIVENESS

Hulamin's second strategic priority for a successful manufacturing business, taking into consideration the need for global and regional competitiveness, is cost. Chinese producers of all types of manufactured goods, including aluminium rolled products, have redefined costs of production, resulting directly in pressure on Hulamin's operating margins and more indirectly on global selling prices.

Following the profit performance of 2011 and 2012, management undertook a critical assessment of the cost competitiveness of the business and concluded that there are three major opportunities to immediately address Hulamin's cost competitiveness. These are the cost of employment, the price of energy and particularly gas and thirdly the price of aluminium.

The exercise to rightsize the employment complement was concluded early in the third quarter of 2013, resulting in the redundancy of 159 jobs, representing an annual saving of R59 million at a once-off cost of R25,6 million. Included in the number of departing employees were approximately 70 resignations, which significantly contributed to mitigating the negative impact of a forced retrenchment. However, the unplanned resignation of an additional 52 people whose skills were recognised as being important for the company and whose jobs were not at risk had a significant and adverse impact on the business. These employees are being replaced, with a number of new employees already having joined the company.

The second cost focus is to address gas energy. Hulamin uses Liquid Petroleum Gas (LPG) as its primary energy source, with approximately 70% of its energy cost spent on LPG, which is a measurably higher cost per energy unit than natural or methane-rich gas. LPG is produced as a by-product of crude oil refining and Hulamin thus procures its supply from various oil refineries in South Africa (largely the SAPREF refinery in Durban), whose supply has been disrupted on a number of occasions since the mid-2000s. Hulamin has thus commenced a feasibility study into natural or methane-rich gas supply to its Pietermaritzburg operations.

The third early focus to improve competitiveness is metal cost. Hulamin sources primary melting ingot aluminium from BHP Billiton's Hillside smelter, rolling slab from BHP Billiton's Bayside smelter, extrusion billet from a number of international aluminium smelters, hardeners such as magnesium, manganese, iron, silicon, copper and zinc from a range of local and international sources and also procures aluminium scrap locally.

The pricing of aluminium is linked to the ruling LME Aluminium price and Rand/US Dollar exchange rate as well as ruling geographic, format and other premiums and discounts at the time of purchase. Due to the value of metal purchases, the impact of relatively small beneficial or prejudicial unit variances can have a major impact. Hulamin's existing melting ingot supply agreement with BHP Billiton will terminate at the end of 2015, while the supply and pricing of rolling slab have been agreed until the end of December 2014.

The conversion of the South African beverage can market to all-aluminium cans provides a new and alternative source of aluminium. Both the increased volume of can makers' process scrap and post-consumer scrap are large volume opportunities to source metal at a net (after processing) cost that is lower than what is available from BHP Billiton. To this end we are pleased that the Hulamin board has approved the R300 million capital investment in state-of-the-art recycling equipment.

## GROWTH IN REGIONAL SALES

Our customers remain central to our business model of differentiation and value creation and we will remain focused on continually improving service offerings. In comparison to other international suppliers, Hulamin has limited advantages we can offer to international customers, especially when compared to their local suppliers. To provide these customers the lead times, product range, pricing and service necessary in today's competitive world is proving increasingly challenging.

Hulamin has an emerging and significant competitive advantage, being located in a rapidly developing region, where aluminium consumption is lower than international comparisons and per capita wealth is increasing.

Between Hulamin Rolled Products and Hulamin Extrusions, we currently sell approximately 75 000 tons per year in South Africa, of which over 50% is sold into the combined packaging and automotive industries. These industries are already proving to be the growth drivers of aluminium consumption and show clear potential for considerable further growth. The all-aluminium can alone offers a

# CHIEF EXECUTIVE OFFICER'S REVIEW continued

potential market of in excess of 100 000 tons by 2020. Increasing aluminium usage in automotive applications has already sparked a number of large potential local opportunities.

As part of the restructuring completed in 2013, Hulamin has increased its high level sales and market development resources with the addition of two experienced executives to its local sales and market development team.

## THE ALL-ALUMINIUM BEVERAGE CAN IN SOUTHERN AFRICA

Since 2010, Hulamin has remained focused on working with the other key stakeholders to convert manufacture of the body of the beverage can from steel to aluminium. This provides many advantages to the industry, including lower cost, improved carbon footprint, job creation potential, quicker cooling and a more attractive container.

We are particularly encouraged that the industry has chosen to switch to the all-aluminium can and Nampak's decision to award Hulamin with part supply of its 2013 to 2015 can body stock requirements. This increase in local sales has been further enhanced by a further announcement late in 2013 that Nampak has bought an aluminium can manufacturer in Nigeria, will be installing a second and all-aluminium line and converting its first can line at its Angolata operations in Angola to aluminium and will install a new all-aluminium can line at its Rosslyn beverage can operation. In addition to the increased regional demand for aluminium can body stock, the substantial increase in the number of cans to be produced will increase the requirement for can-ends, potentially doubling the local requirement for can-end and tab stock.

## SUSTAINABLE AND COMPETITIVE ALUMINIUM SUPPLY

The production of primary aluminium in Southern Africa dates back to the early 1970s and has grown to be one of the most important regions globally. Due to the electricity-intensive nature of primary aluminium production and the well-publicised current constraints in electricity supply, there is inevitable debate around the allocation of resources and the production of aluminium in the region.

The downstream aluminium industry in Southern Africa is growing rapidly, led by the beverage can conversion to aluminium that, on its own, is likely to double aluminium consumption regionally by 2020. In addition to this packaging-led growth, the use of aluminium in automotive is also expanding rapidly. With its sizeable local automotive industry, aluminium consumption in the manufacture of automotive components has increased its growth rate and there are increasing opportunities in an industry looking for improvements in lightweighting, energy consumption, carbon footprint and recycling. A recently published independent study indicates the opportunity for the aluminium industry to grow by 13 000 jobs to 29 000 and to increase local beneficiation from 178 000 tons per year to 386 000 tons by 2018. Hulamin continues to play a leading role in the development of the downstream industry and contributes to a sustainable aluminium smelting industry.

Hulamin has been in discussions with BHP Billiton on the supply of rolling slab since 2009 when they advised of their plans to cease production of value-added products, which are crucial for downstream beneficiation. These products include rolling slab, extrusion billet, rod (for the wire industry) and other alloys for casting. Discussions have continued without conclusion since 2009, resulting in numerous temporary arrangements. A long-term settlement has proved elusive owing to many associated complexities, contributing to uncertainty over Hulamin's ability to meet its slab supply requirements for full capacity. During 2013, Hulamin and BHP reached alignment on the strategic rationale for future value-added product manufacture at the Bayside casthouse, while economic pressures of a low aluminium price resulted in BHP commencing consultation with employees over the closure of the pot line and carbon anode plant. While we expect smelting to cease at Bayside during 2014, we are hopeful that a longer-term solution in the interests of all stakeholders will emerge during 2014.

The second and equally important dimension to sustainable aluminium supply is the role of recycling, based on the growing availability of scrap aluminium in the form of both used beverage cans (UBCs) and Class scrap (from can manufacture). The increasing availability of competitively priced and conveniently formatted aluminium scrap provides great opportunities for Hulamin as an additional source of its raw material sourcing over the coming years. The Hulamin board has accordingly approved a R300 million capital investment in beverage can sorting, processing and recycling equipment to be based at its Pietermaritzburg facility. In addition to its state-of-the-art recycling efficiency, this investment also allows for the significant improvement and lowering of cost in existing scrap processing.

## A COOPERATIVE REGULATORY ENVIRONMENT

Hulamin has specific needs which include controlling the flood of low-priced imports (largely from China), mitigating the impact of Carbon Tax proposals to ensure that the South African manufacturers are not unfairly placed at fatal disadvantage to their international competitors, local content requirements, making infrastructure (such as harbours, pipelines, train services, roads, water and electricity) available at competitive prices and ensuring that aluminium scrap is priced competitively in South Africa.

Hulamin recognises its critical role in assisting government in creating employment and regional stability, sharing technology, bringing competitive advantage and contributing to the reindustrialisation of South Africa and thus the cooperative relationship between Hulamin and government is to the benefit of all South Africans.

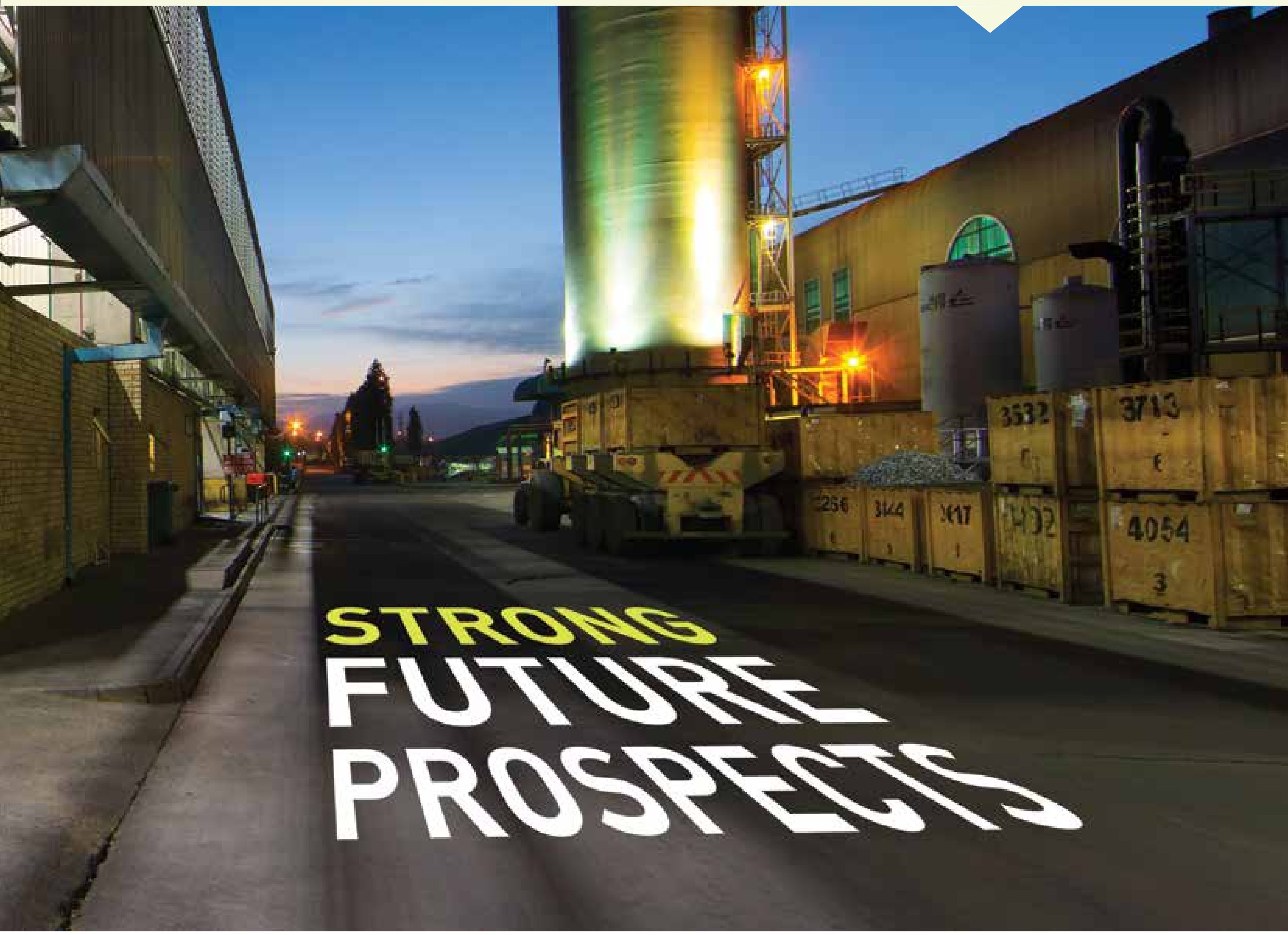
## PROSPECTS FOR 2014

With much of the groundwork for the transformation of Hulamin having been completed in 2013 and good progress made in reducing Hulamin's risk profile, future prospects look encouraging.

Hulamin is a founding member of the Manufacturing Circle and has long supported the importance of a competitive currency to a healthy manufacturing sector. Relative competitiveness between countries and companies can only be compared using the same currency. Thanks to the 17% depreciation in the Rand over the course of 2013, the competitiveness of South African manufacturers and Hulamin in particular has similarly improved and bodes well for the year ahead.

We will intensify our focus on manufacturing performance, cost and efficiency, building on and adding to the capability of our existing, newly restructured management team. We will continue to deliver against the five strategic objectives described above.

I would like to thank all our stakeholders, and in particular our employees, who have supported us through an uncertain and challenging 2013.



# CHIEF FINANCIAL OFFICER'S REPORT

**The group reported an attributable loss of R1 345,0 million for the year ended 31 December 2013. Headline earnings for the same period, which exclude the impairment charge, amounted to R183,0 million (2012: R78,9 million), equivalent to 57 cents per share (2012: 25 cents).**

The reported results for 2013 have been affected by a number of extraneous factors and are not directly comparable to those of the prior year, 2012. The 2012 figures themselves have been restated due to a change in accounting policy mandated by the coming into effect of a revised International Accounting Standard, IAS 19. In the circumstances, normalised earnings provides a more meaningful comparison and, on this basis, earnings increased from R57,3 million in 2012 to R201,4 million in the current year.

## IMPAIRMENT OF ROLLED PRODUCTS ASSETS

The board concluded that compliance with International Accounting Standard (IAS) 36 required an impairment of R2 122,3 million be made against the carrying value of the tangible and intangible assets of the Rolled Products business. This impairment is a non-cash accounting adjustment analogous to accelerated depreciation and has been charged against operating profit (EBIT). A corresponding deferred tax adjustment reduces the net charge on attributable earnings to R1 528,1 million, which is equivalent to R4,79 per share. In terms of the rules of the JSE Limited, such impairments are excluded from the computation of headline earnings. The impairment is also excluded from the computation of normalised earnings. The annual depreciation expense will be approximately R86 million lower in 2014 following the impairment and will increase profits by the same amount (27 cents per share). The benefit of the lower depreciation charge will be adjusted for in future management incentive determinations.

The Hulamin share price closed at R5,15 on 31 December 2013, having averaged R4,64 over the year, whereas the underlying net asset value per share before impairment was R15,44 at year-end. The discount to underlying value of R10,29 per share is a deemed indicator of impairment and a detailed value-in-use computation was carried out before finalising the results, as was the case in the previous year. Details are provided in note 19 to the financial statements of the group.

The value-in-use calculation at December 2013 used a significantly higher discount rate than was used in the previous year due to an increase in the general risk-free rate and the introduction of a premium to cater for the increased risk brought about by the volatility in the Rand and the uncertainty surrounding slab supply from the Bayside casthouse. Volumes assumed in the forecast were also reduced to take account of the actual achievements against previous forecasts and the lower total volumes anticipated as local sales increase. A continuation of slab supply from Bayside was assumed in the forecast and, should this not be the case, a further impairment may become necessary at that time.

The impairment does not result in the breach of any banking covenants and has been discussed specifically with key lenders.

## CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF PRIOR YEAR FIGURES

As was explained when the half-year results were published earlier this year, International Accounting Statement (IAS) 19R – Employee Benefits came into effect on 1 January 2013. The revisions impacted mainly the treatment of actuarial gains and losses that arise in defined benefit funds such as pension and post-retirement medical aid funds.

IAS 19R had little impact on the current year, increasing operating profit (EBIT) by R6,9 million and earnings by R5,0 million. However, since Hulamin had converted its defined benefit pension fund to a defined contribution fund in June 2012, and recorded a large gain on conversion, it had a substantial impact on the restatement of the prior year figures where 2012 EBIT was reduced by R143,5 million and earnings by R103,2 million from R132,5 million to R29,3 million.

## NORMALISED EARNINGS

In order to better monitor underlying performance, management reports results excluding abnormal or non-recurring type gains and losses such as those arising from the disposal of capital assets and the conversion of the retirement benefit fund. The costs associated with the rightsizing of the Rolled Products business during the current year have similarly been excluded. Items such as derivative gains and losses and metal price lag are not excluded from normalised earnings.

The calculation of normalised earnings is shown in note 23 to the financial statements of the group.

## OPERATING PERFORMANCE

Normalised earnings, increased from R57,3 million in 2012 to R201,4 million in the current year.

The Hulamin group comprises two major segments, Rolled Products which contributes around 90% of revenue by value, and Extrusions which provides the remaining 10%. A segmental analysis is provided in note 2 to the financial statements of the group.

The Hulamin Extrusions business performed particularly well in 2013 and normalised earnings increased from R4,4 million to R30,7 million. Volume growth was limited but did benefit from various solar-related contracts, whilst several unprofitable contracts were restructured or terminated. The return on equity based on normalised earnings was 12,7%.

Hulamin Rolled Products was impaired by R1 528,1 million at year-end, reducing the carrying value of its net assets (equity) to R3 161,1 million. Normalised earnings grew strongly from R52,9 million in 2012 to R170,7 million in the current year despite sales volumes of 190 200 tons being 3 800 tons below the previous year. The Rand/Dollar exchange rate has a substantial impact on profitability and the average exchange rate weakened from 8,22 in 2012 to 9,66 in 2013. The return on equity based on normalised earnings was 5,4% after the reduction in net asset value arising from the impairment. Cash flow before and after capital expenditure was strongly positive at R285,4 million and R158,9 million respectively.

An analysis of expenses is provided in note 18 to the group financial statements. The purchase of aluminium, both rolling slab and melting ingot, together with alloying elements and related products, comprises more than 70% of total expenditure. Employment costs at R762,5 million are the next largest category at 10% of total expenditure. Salaries and wages, excluding retirement benefit costs, increased by 8,6% in nominal terms or 10,7% after adjusting for the lower sales volumes. The R26 million severance costs incurred in the rightsizing exercise contributed significantly to this increase. Utilities, and LPG gas in particular, is a major cost and places Hulamin at a significant disadvantage to many of its international competitors who benefit from low-cost alternatives such as shale gas. Expense control is a key area and will receive ongoing focus in 2014.

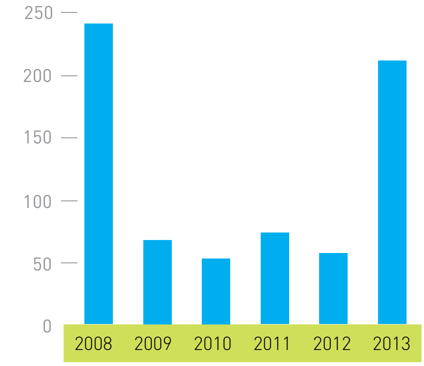
## WORKING CAPITAL

Inventories rose by R291 million to R1 807 million at December 2013, representing 95 days in inventory compared to 91 days in 2012. Rolled Products inventory totalled 61 000 tons, which is above last year and our target level of 55 000 tons. Manufacturing performance fell well short of targets and introduced additional variability into the forecasting process which impacted negatively on inventory levels. Inventory at Extrusions was inflated by a large replenishment order that was in transit at year-end.

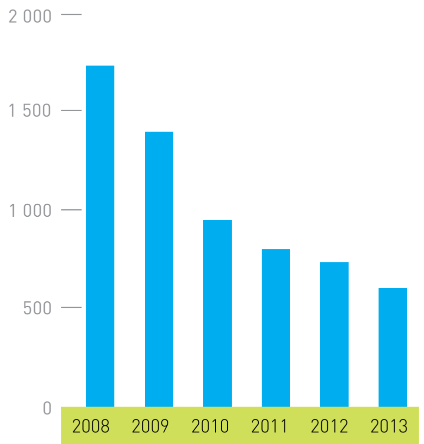
Although trade receivables increased from R748 million to R827 million, they were well managed and days outstanding fell from 42 to 40 days. All export debtors and around 90% of local debtors were covered by credit insurance which has a 10% excess. Bad debts written off during the year amounted to R0,7 million (2012: R0,8 million).

Trade payables remained broadly in line with activity levels, increasing from 31 to 33 days purchases.

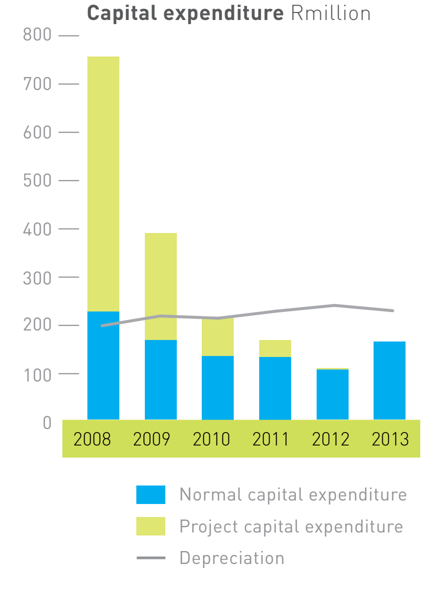
**Normalised earnings** Rmillion




**Net borrowings** Rmillion




**Capital expenditure** Rmillion



# CHIEF FINANCIAL OFFICER'S REPORT continued

Hulamin's functional currency is South African Rand. The group does not speculate in foreign currencies and has a policy of covering via forward exchange contracts (FECs) all exposures to foreign currency once a binding contract has been concluded.

The group's metal sales and purchases are primarily based on a ruling London Metal Exchange (LME) price for aluminium plus applicable geographic premiums and a conversion margin. However, the pricing of metal sales normally lags that of metal purchases and this exposure is mitigated through a combination of commodity derivatives (futures) and foreign exchange contracts. The group has an established policy of eliminating 50% of its net metal price exposure through hedging activities. The impact of the unhedged metal price movements, referred to as metal price lag, amounted to a pretax loss of R57,8 million in the current year (2012: loss of R2,2 million) and is included in cost of goods sold.

Hedging 100% of the metal price exposure would eliminate the metal price lag effect but would expose the group to considerable liquidity stress were the price of aluminium to rise suddenly and substantially as it did in 2008 and 2011/12. Under the previous borrowing facilities, this could, in turn, have led to a breach of banking covenants. However, the new finance facilities put in place during the current year provide much more flexibility and have largely eliminated this risk and the 50% hedging strategy will be reconsidered in 2014.

## CAPITAL EXPENDITURE

Expenditure increased from R97,9 million to R147,8 million but still remains well below the depreciation charge of R210,3 million. Expenditure comprised R131,2 million on strategic spares, improvements and long-life consumables such as work rolls and dies and R16,7 million on enhancements to IT systems. The enhanced asset care programme embarked on will see an increased spend on plant and equipment in coming years.

A new aluminium recycling operation is being developed at the Camps Drift site in Pietermaritzburg at an estimated total cost of R300 million. The facility will allow Hulamin to process used beverage cans (UBCs) and other scrap very efficiently in a new state-of-the-art furnace. The faster than anticipated take-up of aluminium beverage cans in the local market augurs well for this project, as do the recently introduced restrictions on the export of scrap aluminium. Funding is currently being negotiated and will likely be a combination of medium-term loans and vendor finance. The operation is expected to be in production within two years.

A new production planning software suite will be implemented during 2014 at a cost of R20 million. The solution will allow planners to react rapidly to changes in production levels and shop floor developments, thereby reducing bottlenecks, improving on-time deliveries and allowing lower inventory levels.

## CASH FLOW

Cash generated before working capital requirements rose strongly from R365,9 million in 2012 to R586,8 million in the current year. Working capital absorbed R211,2 million due to the increase in inventory levels referred to above and cash from operating activities amounted to R283,0 million after interest and tax payments.

Capital expenditure of R147,8 million was partly offset by a R32,4 million increase in borrowings, resulting in a positive cash inflow of R163,2 million for the year (2012: R9,7 million).

## BORROWING FACILITIES AND FINANCE COSTS

Borrowings closed at R804,5 million and, after deducting cash and cash equivalents of R192,8 million, net borrowings amounted to R611,7 million, some R130 million lower than in 2012. The high cash position was an anomaly caused by the transition from the old payment systems to a new one following the change in lead bankers.

Hulamin previously had facilities mainly with Standard Bank and FNB/RMB. These consisted of a term loan of R557 million repayable in full by June 2015 and a R550 million 360-day facility. Virtually all assets of the group were pledged as security for these facilities, which also required compliance with onerous covenants. Hulamin's current borrowing requirements are driven by working capital movements and a sharp weakening in the Rand or increase in the aluminium price on the LME demands a rapid response and places heavy demands on liquidity. The previous facilities were unable to provide such flexibility and led to increased liquidity risk.

Nedbank was appointed lead banker to Hulamin in June 2013. New agreements provided a working capital facility of R1,2 billion secured only against the specific assets funded, i.e. inventory and receivables, as well as a R250 million general purpose 360-day facility. Although the facilities "revolve", advance and repay, they are committed three-year facilities. The facilities are competitively priced and covenants are limited to a debt/equity ratio and current ratio, neither of which is likely to prove restrictive in the future. At year-end, the group was well within its covenants, notwithstanding the impact on equity of the Rolled Products asset impairment.

Given the existing security structure at that time, Nedbank provided an additional bridge loan of R650 million to allow Hulamin to repay all amounts owing to other banks and so remove the pledges on existing assets. The bridge loan was repaid in full in January 2014 from advances under the new working capital facility. Hulamin's capital assets are now free of encumbrances and can be pledged to secure funding for capital projects such as the aluminium recycling project referred to earlier.

Net finance costs at R63,4 million were in line with the previous year's R62,9 million.

## DIVIDEND PAYMENTS

The group has not paid any dividends since 2008 when a total of 41 cents was paid for the year based on a dividend cover ratio of just over three. Dividend payments were suspended due to severe liquidity constraints brought about by weak profit performances and substantial capital expenditure.

The board has not declared any dividends in respect of 2013.

# FIVE-YEAR REVIEW

| | 2013<br>R'000 | Restated<br>2012<br>R'000 | 2011<br>R'000 | 2010<br>R'000 | 2009<br>R'000 |
|---|---|---|---|---|---|
| **INCOME STATEMENT** | | | | | |
| Revenue | 7 560 007 | 6 541 997 | 6 905 444 | 5 808 667 | 4 499 582 |
| EBIDTA[1] | 527 209 | 407 573 | 383 333 | 411 132 | 441 707 |
| Operating (loss)/profit | (1 805 371) | 101 087 | 169 945 | 218 233 | 243 974 |
| Net finance costs | (63 357) | (62 909) | (61 910) | (116 923) | (113 813) |
| Share of profits of associates and joint ventures | – | 181 | 1 187 | 2 654 | 383 |
| (Loss)/profit before tax | (1 868 728) | 38 359 | 109 222 | 103 964 | 130 544 |
| Taxation | 523 769 | (9 106) | (29 546) | (30 716) | (40 911) |
| Net (loss)/profit attributable to shareholders | (1 344 959) | 29 253 | 79 676 | 73 248 | 89 633 |
| Headline earnings attributable to shareholders | 183 005 | 78 921 | 80 121 | 74 813 | 91 599 |
| **BALANCE SHEET** | | | | | |
| Property, plant, equipment, intangibles and investments | 2 553 218 | 4 737 134 | 5 003 167 | 5 074 879 | 5 019 615 |
| Retirement benefit asset | 161 468 | 177 179 | 37 615 | 73 819 | – |
| Deferred tax asset | 27 815 | 33 632 | 21 225 | 22 102 | 13 899 |
| Current assets | 2 987 371 | 2 537 421 | 2 457 088 | 2 186 972 | 1 880 688 |
| Total assets | 5 729 872 | 7 485 366 | 7 519 095 | 7 357 772 | 6 914 202 |
| Equity holders' interest | 3 402 810 | 4 747 597 | 4 669 625 | 4 609 534 | 3 744 279 |
| Borrowings: non-current and current | 804 482 | 772 079 | 828 609 | 982 836 | 1 473 318 |
| Deferred tax liability | 405 311 | 962 518 | 940 205 | 941 260 | 912 876 |
| Retirement benefit obligations | 225 826 | 233 242 | 169 740 | 147 909 | 132 946 |
| Current liabilities (excluding current borrowings) | 891 443 | 769 930 | 910 916 | 676 233 | 650 783 |
| Total equity and liabilities | 5 729 872 | 7 485 366 | 7 519 095 | 7 357 772 | 6 914 202 |
| **CASH FLOW** | | | | | |
| Net cash inflow/(outflow) from operating activities | 282 958 | 98 392 | 287 074 | (53 732) | 724 257 |
| Net cash outflow from investing activities | (147 666) | (26 045) | (135 090) | (228 010) | (351 831) |
| Net cash inflow/(outflow) from financing activities | 27 912 | (62 651) | (156 523) | 241 768 | (374 187) |
| Net cash increase/(decrease) for the year | 163 204 | 9 696 | (4 539) | (39 974) | (1 761) |

| | | 2013 | Restated 2012 | 2011 | 2010 | 2009 |
|---|---|---|---|---|---|---|
| **RATIOS AND STATISTICS** | | | | | | |
| **Earnings** | | | | | | |
| Earnings per share* | (cents) | (422) | 9 | 25 | 26 | 37 |
| Headline earnings per share* | (cents) | 57 | 25 | 25 | 27 | 37 |
| Dividend per share** | (cents) | | | | | |
| Dividend cover** | (times) | | | | | |
| **Profitability** | | | | | | |
| Operating margin[2] | (%) | 4,2 | 2,8 | 2,5 | 3,8 | 5,4 |
| Return on capital employed[3] | (%) | 5,5 | 2,8 | 2,6 | 3,4 | 3,8 |
| Return on equity attributable to shareholders[4] | (%) | 4,5 | 1,7 | 1,7 | 1,8 | 2,4 |
| **Financial** | | | | | | |
| Net debt to equity[5] | (%) | 18,0 | 15,6 | 17,3 | 20,8 | 37,6 |
| Current ratio[6] | | 3,4 | 3,3 | 2,7 | 3,2 | 2,9 |
| Liquidity ratio[7] | | 1,3 | 1,3 | 1,3 | 1,5 | 1,3 |

## DEFINITIONS

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

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

(3) *Operating profit (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed.*

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

(5) *Current and non-current borrowings less cash, divided by total equity.*

(6) *Current assets divided by current liabilities.*

(7) *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 2013.*

Note: *2012 has been restated to reflect the effects of the change in accounting policy regarding employee benefits (see note 1.35 of the group financial statements). Prior years were not adjusted as it was impracticable to do so.*

# MANUFACTURED CAPITAL

## REMELT AND CASTING EQUIPMENT

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

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

## HOT AND COLD ROLLING MILLS AND FOIL MILLS

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

## PLATE PLANT

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

## COATING PLANT

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

## SLITTERS, CUT-TO-LENGTH LINES AND TENSION LEVELLERS

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

## EXTRUSION PLANTS

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

## INFRASTRUCTURE

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

## STRATEGIC SPARES

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

## FUTURE AND CURRENT PROJECTS

Hulamin has entered into agreements with Nampak Bevcan to supply aluminium coil for the manufacture of all-aluminium beverage cans.

The recycling of aluminium is ever more attractive and Hulamin has investigated a range of investments and actions to increase the recycled content of its products.

Hulamin is investing in the infrastructure needed to recycle Used Beverage Cans (UBCs) and other end-of-life and customer scrap in the most effective and environmentally responsible manner. A new recycling centre has been approved for installation at an estimated cost of R300 million, which will further advance our manufactured capital base.

**Manufactured capital is the infrastructure, plant and equipment that we use to produce our products. It includes assets that are produced by other entities and those manufactured internally and excludes intellectual capital such as software. The management of these assets is a key business imperative and is considered an essential element in achieving manufacturing excellence and operational performance. Our high-tech, state-of-the-art rolling and semi-fabrication assets are central to our operations. The implementation of asset maintenance and care policies will improve asset utilisation and profitability[1].**

## Asset management strategy

The purpose of the asset risk management strategy is to provide a structured approach to the implementation of an asset risk management system, based on ISO 55000 and ISO 31000 principles. Our asset management strategy is aligned with international best practice. The focus is on asset care, operation and maintenance while considering the asset performance and the effect of external factors.

## Key areas of focus:

### Business risk assessment

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

### Operation task criticality

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

### Equipment criticality analysis

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

### Spares criticality analysis

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

### Asset acquisition risk management

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

## IMA

Hulamin has developed an Integrated Manufacturing Approach (IMA) to ensure that it achieves its goals and objectives. IMA is Hulamin's operational excellence programme and defines the manner in which to standardise, improve and sustain Hulamin. The programme consists of four pillars, namely standardised business processes, controlled manufacturing processes, reliable equipment and improvement projects.

The IMA is a continuous process of uplifting standards, improving systems and sustaining them. This allows us to deliver value to the customer and to increase the value of Hulamin. The operation of the IMA allowed for a financial benefit of R40,2 million in 2013.

The reliable equipment pillar of IMA manages our impact on manufactured capital. It allows us to:

- Capture and analyse our maintenance history
- Identify improvement opportunities
- Learn from our failures
- Measure our performance
- Standardise on best practice processes
- Sustain the improvements we made

## Asset care

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

Our dedicated asset care team is focused on the:

- Development and implementation of Asset Risk Management policies and governance
- Development and implementation of centralised work planning and control
- Development and implementation of improved material management systems
- Achieving ISO 55000 Certification

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

## OPERATIONAL STATISTICS

| REPAIRS AND MAINTENANCE 2013 | ROLLED PRODUCTS PRODUCTION 2013 | RESULTS STATISTICS FROM IMA | ADDITIONS 2013 | DISPOSALS AT COST 2013 | CARRYING AMOUNT 2013 |
|---|---|---|---|---|---|
| **R177 million**<br>(2012: R176 million) | **192 300 tons**<br>(2012: 195 692 tons) | • Implementation of equipment performance systems at **90%**<br>• Manufacturing cost targets achieved at **82,8%** | **R131 million**<br>(2012: R82 million) | **R256 000**<br>(2012: R60 977 000) | **R2 515 million**<br>(after impairment of R2 090 million)<br>(2012: R4 674 million) |

1 *Whilst Hulamin relies on both manufactured capital which is owned and contolled by the group as well as capital owned and controlled by other entities (refer page 13), this section focuses only on Hulamin's performance and impact on manufactured capital owned and controlled by the group.*

# SOCIAL AND RELATIONSHIP CAPITAL

## OUR STAKEHOLDERS AND THEIR IMPORTANCE TO US

| | |
|---|---|
| GOVERNMENT | Local, provincial and national government, including regulatory authorities. They license us to operate and provide a supportive regulatory environment |
| PROVIDERS OF CAPITAL | Shareholders, investment community, creditors and lenders who provide us with the financial capital required to sustain our growth |
| CUSTOMERS | We are reliant on customers and potential customers to sustain revenue generation and growth. The majority of our sales are to export customers. We are focused on growing the local and regional markets |
| SUPPLIERS | Suppliers of metal and other products and service providers are important as we are reliant on them to provide safe, good quality and good value products and reliable services that support growth |
| EMPLOYEES | Employees are the key underpin to achieve operational performance and objectives. This is covered in detail under the Human Capital section on pages 50 to 51 |
| COMMUNITIES | We build and nurture existing relationships, and create a conduit to better understand community needs and interests. This allows for us to contribute to transformation, enterprise development and various corporate social investment initiatives. Refer to our online sustainability report for details |

## EXPECTATIONS AND CONCERNS OF OUR STAKEHOLDERS

| | |
|---|---|
| GOVERNMENT | Continual and responsible contribution to regional development:<br>• Facilitate downstream development<br>• Job retention and creation<br>• Transformation and empowerment<br>• Safer workplaces<br>• Healthy competition amongst businesses<br>• Energy consumption reduction |
| PROVIDERS OF CAPITAL | Sustainable growth and returns on investment:<br>• Sustainable returns<br>• Supportive regulatory and business environment<br>• Future growth for the business |
| CUSTOMERS | Reliable service, good quality products and competitive prices:<br>• Long-term security of supply<br>• Consistent supply of products<br>• Improved manufacturing capability and product range |
| SUPPLIERS | Continued growth and relationships:<br>• Long-term supply contracts<br>• Efficient payment cycles |
| EMPLOYEES | Provision of gainful and safe employment:<br>• Employment security<br>• Safe working environment<br>• Competitive remuneration and benefits packages<br>• Workforce transformation<br>• Information and communication<br>• Participation and empowerment |
| COMMUNITIES | Responsive contribution to community interests and needs:<br>• Support for key community developments and activities<br>• Sponsorships and donations<br>• Employment opportunities<br>• Support for environmental initiatives |

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

OUR PERFORMANCE IN 2013

| | |
|---|---|
| GOVERNMENT | • Rightsizing of workforce resulted in about 160 employees being retrenched<br>• Black representation at management level is 60% and 92% at skilled and supervisory level. Representation by women across the workforce is 13%<br>• Fewer total injuries in 2013<br>• Level 3 BEE Contributor status maintained<br>• Continued improvements in preferential procurement, enterprise development and skills development<br>• Carbon footprint consistent with 2012<br>• Development of local supply of can body stock<br>• Investment in scrap processing and recycling plant approved |
| PROVIDERS OF CAPITAL | • Strategy revised and refocused<br>• Headline earnings increased to 57 cents per share<br>• Normalised earnings up 251%<br>• Agreements entered into with Nampak Bevcan for the supply of can body coil for the production of aluminium beverage cans<br>• Opportunities unlocked in the recycling of aluminium and the approved R300 million investment in the scrap processing and recycling facility |
| CUSTOMERS | • Continued focus on quality (particularly product surface quality), on-time delivery and long-term reliability |
| SUPPLIERS | • Extension of rolling slab supply contract to December 2014 and ongoing discussions regarding longer-term availability of primary aluminium melting ingot from Hillside and the supply of rolling slab from Bayside |
| EMPLOYEES | • Rightsizing of workforce had a negative impact on employee morale<br>• Health and safety and overall management of human capital improved, refer to the Human Capital section on pages 50 to 51 |
| COMMUNITIES | • Greenhouse gas emissions closely monitored<br>• 103 employees in sponsored education programmes<br>• Over R1 million invested in bursaries<br>• Continued progress in enterprise development initiatives |

# HUMAN CAPITAL

Human capital is considered a core asset at Hulamin. The skills of our people are the foundation for our success.

Hulamin appreciates the importance of its people and the key role that they play in achieving objectives through strategy implementation. Our people are equipped with the knowledge, skills and motivation that give Hulamin a leading advantage.

## KEY RESOURCES ON WHICH WE ARE RELIANT

Our workforce consisted of 1 876 employees at December 2013, of which 92% are black, 13% are women and 1,4% are persons with disabilities.

We are reliant on the skills, education and experience of our employees, particularly those who have unique skills that are required by our business. These are core and specialist skills which include amongst others, metallurgical engineering, rolling, roll-grinding, surface treatment and casting.

We are dependent on these skills in various aspects of our business, including, manufacturing, design, operating, maintenance and project planning.

## EMPLOYEE TURNOVER

Employee turnover was higher in 2013 than in the prior year.

Many of the leavers resulted from the organisational rightsizing exercise during the year, which aimed to streamline the business and set up a more effective structure. The rightsizing saw the departure of approximately 160 employees, with the effect on morale being carefully managed.

## SKILLS DEVELOPMENT

Hulamin strives to develop skilled and motivated employees through an outcomes-based approach to development. In order to facilitate growth, significant resources are invested in skills development. R14,6 million was spent on skills development during the year, which allowed for 82% of employees to further their skills.

Training and development initiatives draw on the technological, operational and process knowledge that exists within the business, and use this to guide employees into developing innovative solutions for real business challenges.

Learning and skills development 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.

## INVESTMENT IN TALENT

Hulamin further invests in the talent and leadership of its people. Developing existing talents and skills of employees allows them to develop personally, which, in turn, allows our company to grow. These programmes allow us to attract and retain the right calibre of people.

| Our investment in 2013 | |
|---|---|
| R3,1 million | invested in pipeline management programmes |
| R1,1 million | invested in bursary schemes |
| 11 | employees in learnership programmes |
| 103 | employees in company sponsored education programmes |

The 3Rs (Roles, Responsibilities and Routines) project was launched in 2013. It is a critical intervention in building leadership and management capability. The project is underway and the main objectives of the project are to:

- Standardise roles, responsibilities and routines across the organisation
- Improve and develop employee competence and capability through the development of a structured competency model, the identification of competency gaps and implementing interventions to close these gaps.

It is believed that the 3R strategy will ensure a focused process to assigning roles, responsibilities and routines and will provide a standardised and consistent approach to executing tasks. This will enhance accountability, eliminate duplication and syndicated decision making. This process will also allow for personal and professional growth with focused training interventions to close competency gaps.

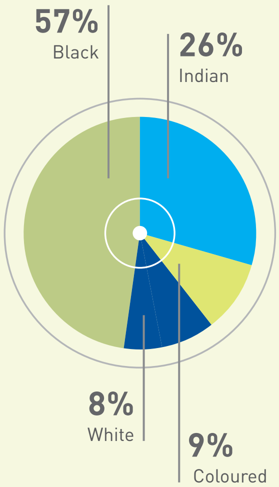
## EMPLOYMENT EQUITY

Hulamin is committed to addressing the imbalances with regard to race, gender and disability in our workforce.

The drive towards employment equity is supported by various measures. Skills development programmes and various investments in talent are centred on employment equity. There are various employment equity committees that are further supported by the Transformation, Social and Ethics Committee and the Broad-based Black Empowerment Committee.

## DEMOGRAPHICS

2013




Increasing female representation at all levels in the organisation, particularly at senior levels, remains a primary focus.

The race profile for the year is detailed in the graphic above. Female representation is 13,2% (2012: 13,9%).

## EMPLOYMENT EQUITY TARGETS

Employment equity targets are developed internally. The targets for achievement in 2013 were set in 2011.

Achievement of targets fell short in most instances, and limited progress has been made since 2012.

## SAFETY

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

Hulamin has embedded a culture of safety in the organisation to ensure that its plants are operated safely and employees are protected from injury or from harm due to incidents or exposure.

A new safety strategy was developed in 2013 that focuses on two key pillars, culture and risk. The cultural pillar addresses behavioural change and the risk pillar addresses the safety systems.

**Employment equity percentages**

| Criterion | Target | Status 2013 | Status 2012 |
|---|---|---|---|
| Black representation at senior management | 50 | 42 | 54 |
| Black representation at middle management | 76 | 69 | 69 |
| Black representation at skilled and supervisory level | 91 | 92 | 95 |
| Women at senior management | 12 | 7 | 10 |
| Women at middle management | 20 | 16 | 16 |
| Women at skilled and supervisory level | 15 | 13 | 13 |
| People with disabilities | 1,4 | 1,3 | 1 |

There were no fatalities during the year and total injuries were reduced to 152 (2012: 162). Hand injuries constitute approximately 41% of all injuries and therefore this remains a high priority area.

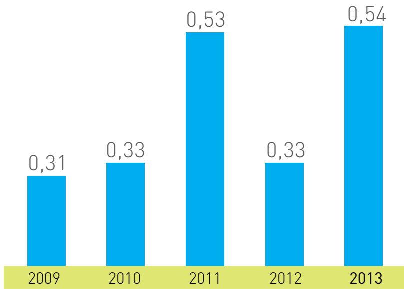
Although total injuries decreased, lost time injuries remain high. Two primary measures are focused on in respect of safety performance: Lost Time Injury Frequency Rate (LTIFR) and the Total Recordable Injury Frequency Rate (TRCFR).

An analysis over the last five years shows that the main root causes of serious injuries relate to latent failures (management systems) and not to active failures (failure to comply). Processes are being developed to address this.

## HEALTH

Hulamin believes that the good health of employees is essential for employee motivation, capability and productivity. We therefore offer health benefits for employees and their families. Hulamin is dependent on its workforce for valuable skills and experience, and thus the consequence of poor health affects Hulamin's performance across all indicators.

**LTIFR rate**




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 to manage these three components.

Primary care is focused on the treatment of employees linked to the exposure to environmental stressors such as noise and chemicals.

There were four noise-induced hearing loss claims in 2013. The Health and Wellness education programmes form a vital component of primary health care. Such programmes are also linked to wellness days which are held biannually, with 851 employees attending in 2013.

In 2013, the focus has been on the treatment of employees for occupational health issues linked to the exposure to environmental stressors such as noise and chemicals.

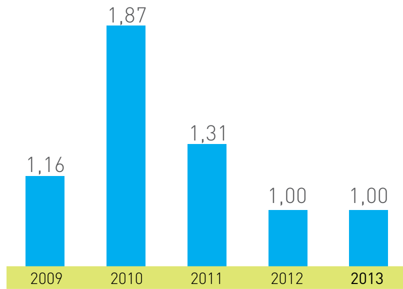
In 2014, Hulamin will adopt a more holistic approach, focusing on the health and wellness of employees, considering factors such as stress and lifestyle in order to develop a comprehensive management system.

## LOOKING AHEAD

Our ambitions and goals for the years ahead:

- In line with skills development and investment in talent, we aim to:
  - Foster a continuous learning culture
  - Define critical leadership and management competencies, knowledge and attitudes required at various levels to meet future business needs
  - Implement and embed the 3Rs project within the organisation in order to build leadership and management capabilities

**TRCFR rate**




  - Create a pipeline of future leadership and management candidates
  - Create a pool of internal candidates ready to fill future positions.
- In order to enhance employment equity, emphasis will be placed on black and female employees when executing talent management, development and succession planning. We will further ensure that employment equity structures, systems and processes are in place to achieve future internal and external employment equity targets.
- We aim to foster a culture that rewards high performance.
- Building symbiotic relationships with labour unions and strengthening internal communication will enhance relationships with employees.
- The new safety strategy will be implemented by conducting an independent GAP audit. Safety systems will be entrenched through activities such as planned job observations and non-routine risk assessment.

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

**Note: Limited assurance has been obtained over the following as detailed in the sustainability report:**

**HIV/Aids spend, employee and contractor lost time injury frequency rate (LTIFR), employee and contractor total recordable frequency rate (TRCFR), number of fatalities, new noise induced hearing loss (NIHL) cases for the year and new dermatitis cases for the year.**

# NATURAL CAPITAL

Hulamin is committed to responsible environmental stewardship across all its operations. Since Hulamin is an appreciable user of energy in the local context, we aim to reduce our use of non-renewable energy sources through improved energy efficiency, including reduced electricity consumption and the use of other cleaner or more effective energy sources where available.

## KEY NATURAL RESOURCES ON WHICH WE ARE RELIANT

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

LPG

**LPG gas** and **water** are essential resources used in our production.

## ABILITY TO REDUCE RELIANCE ON KEY RESOURCES

Aluminium is infinitely recyclable. By recycling aluminium, the initial energy-intensive process is eliminated.

There is an increasing availability of aluminium scrap, including used beverage cans, in the local market. Recycling scrap creates prospects of improved economic returns for the mid- and downstream industry. Further, the collection and recycling industry creates additional employment.

In addition to the above, efforts are continuously being made to reduce consumption of energy resources through improved efficiencies and waste management.

## OUR COMMITMENT TO REDUCED RESOURCE CONSUMPTION

Every employee at Hulamin is tasked to help sustain our environment. This relates to minimising energy and water consumption and reducing waste to a minimum. To achieve this, we strive to operate as efficiently as possible.

**Intensity against 1 ton production**

| | Carbon footprint (tons $CO_2e$) | Electricity consumption (GJ) | LPG consumption (GJ) | Water consumption (kℓ) | Waste landfilled (kg) |
|---|---|---|---|---|---|
| 2012 | 1,85 | 4,78 (1328 kWh) | 6,55 | 2,86 | 27,9 |
| Target 2013 | 1,72 | 4,66 (1294 kWh) | 6,44 | 2,81 | 27,3 |
| Actual 2013 | 1,85 | 4,82 (1339 kWh) | 6,46 | 2,82 | 28,4 |

Environmental sustainability is driven by our Safety, Health and Environment Committee.

Since we pledge to minimise our impact on the environment, we strictly monitor all waste leaving the plant, both effluent waters from our processes as well as solid waste streams. We have contracts with specialist third parties who assist us to manage these waste streams. We also have regular third party testing of our air emissions. We monitor legislative developments; the latest Waste Act has been reviewed by Hulamin to ensure that we comply with all new requirements.

## OUR IMPACT ON NATURAL CAPITALS FOR 2013

At the end of 2012, Hulamin set intensity targets for all key environmental parameters (consumption per unit ton produced). The data for 2013 shows we have made some improvement but that there is still opportunity for making further gains.

During the course of the year, we had a number of equipment failures that compromised our ability to reach our production targets. Although production continued, we have limited ability to reduce our baseload energy requirement. This made it difficult to reach the targets we had set ourselves. We do, however, believe that the targets are achievable and will continue to make efforts to reach the targets in 2014.

## CARBON FOOTPRINT

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

**Scope 1** (direct) emissions are direct emissions from sources owned or controlled by Hulamin. This would include, for example, emissions from fuels, refrigerant consumption, furnaces, vehicles and various company facilities.

**Scope 2** (indirect) emissions are those produced from purchased electricity.

**Scope 3** (indirect) emissions are other indirect emissions arising from various activities not covered by Scope 2, including lubricant consumption

**$CO_2$ emissions** (tons)

| | 2013 | 2012 | 2011 |
|---|---|---|---|
| Scope 1 | 98 532 | 104 703 | 111 296 |
| Scope 2 | 274 378 | 275 324 | 286 093 |
| Scope 3 | 6 692 | 6 393 | 7 031 |
| Total | 379 602 | 386 420 | 404 420 |

We have shown a downward trend in total GHG emissions over the last few years but believe we could further reduce our electricity consumption in 2014, which should yield a reduction in our reported carbon footprint. Further, in comparison with the aluminium industry, Hulamin's GHG emissions are limited. The production of 1 ton of semi-fabricated aluminium (from mining bauxite to end product) produces approximately 12 to 17 tons carbon emissions (depending on the electricity generation mix). Of this, 1,3 to 1,8 tons $CO_2e$ relate to semi-fabrication. The majority of carbon emissions are associated with smelting at about 10 to 12 tons $CO_2e$ per ton of aluminium.

## CARBON TAX IMPLICATIONS

Carbon tax legislation will come into effect in 2016. Hulamin is assessing the impact of the proposed carbon tax legislation on the aluminium industry and itself.

Carbon tax is likely to have a material effect on our business as there are large scope 2 emissions associated with the aluminium industry. The production of primary aluminium is highly electricity-intensive and is the primary source of carbon emissions related to the production of aluminium products. Scope 1 emissions generated by the aluminium industry, and in particular by Hulamin, are relatively low.

With the introduction of the aluminium beverage can, its recyclability and the increased availability of used beverage cans and other scrap aluminium in the local market, Hulamin can, over time, reduce its reliance on primary aluminium.

Hulamin is interacting with government to ensure that the proposed carbon tax legislation does not adversely impact the aluminium industry.

## ENERGY FOOTPRINT

We continue to reduce our overall energy consumption, mainly through improved LPG consumption following the appointment of an LPG specialist last year.

We have approved the installation of heat pumps on all our ablution facilities to reduce our electricity consumption and lower our emissions. The installation is expected to go ahead in early 2014.

## WATER FOOTPRINT

Water consumption has reduced year on year. Most of the gains have been made by eliminating water wastage. To make further reductions, we would have to place some emphasis on recycling and storage of water.

## WASTE FOOTPRINT

During the year we experienced a number of once-off increased levels of waste. These include a cleanup of the Camps Drift Hot Mill emulsion system, which yielded unusual quantities of oily emulsion waste. Also, higher levels of refractory waste were generated due to the shutdown of the old Edendale Remelt facility and additional replacement and repairs at the Camps Drift Remelt site.

The tracking of specific waste types on a monthly basis has aided in identifying areas where support is required to reduce waste generation.

We have seen a significant reduction in waste such as aluminium hydroxide and our general waste streams.

Our waste project to recover rolling oil from spent filter cake is expected to commence in January 2014. This is expected to reduce our oily waste filter cake to landfill by around 80 tons per month.

The increase in effluent water waste this year was attributed to higher volumes processed through our anodising plant.

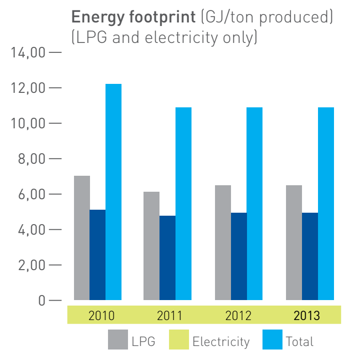
## LOOKING AHEAD

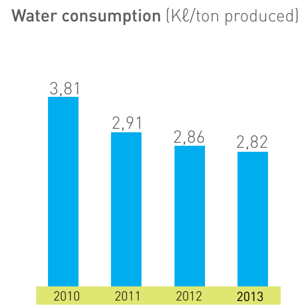
Over the past four years we have shown a significant reduction in our impacts on natural capital. This is mainly attributable to production efficiency and the elimination of wasteful usage.

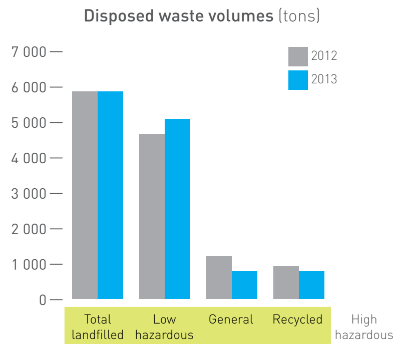
The challenge now lies in identifying new technologies and alternative engineered solutions to make meaningful gains in environmental sustainability.

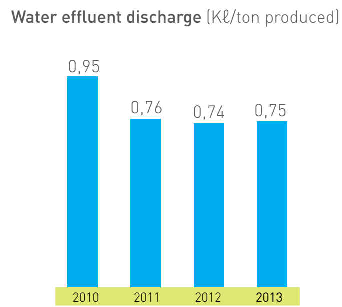
Our filter cake waste project is nearing completion and recovery of rolling oil by a third party is expected to commence early in 2014. A second project also commences early in 2014 to treat explosive aluminium dust waste on site which makes the waste safer to handle and brings with it cost benefits. We continue to look for alternative means to recycle other waste streams.

The most significant activity will be to increase the recycling content of our metal by utilising used beverage can scrap. This will reduce the requirement for primary metal and save significant upstream carbon emissions over time.




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

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

# CLOSING THE LOOP – MAKING STRIDES IN ALUMINIUM RECYCLING

**The case for the recycling of aluminium is compelling and Hulamin has commenced with a range of investments and actions to increase the recycled content of its products.**

The recycling of aluminium from scrap aluminium into new ingots is a very energy-efficient process with only about 5% of the energy required initially to produce the primary metal needed in the recycling process. In addition to the energy saving, emissions of greenhouse gases are reduced and the degradation of the environment from bauxite mining and refining activities is avoided.

Recycling one beverage can saves the amount of energy needed to burn a 100 W bulb for four hours

The world's increasing stock of aluminium in use is a resource bank which over time delivers more and more practical use and value from the energy embodied in the metal. There is an estimated 75% of the aluminium ever produced still in productive use – some of it having been through many recycle loops through its life cycle. Some recycle loops will be over 50 years for aluminium in buildings, reducing to 20 to 30 years in transport applications and as short as 60 days for aluminium beverage cans.

Aluminium beverage can scrap will increase the amount of aluminium scrap available in South Africa by 50% over the next five years

While Hulamin has since the establishment of its rolling and extrusions mills recycled its own process scrap as well as scrap from the manufacturing processes of its customers, it is the introduction of the all-aluminium beverage can in South Africa which presents Hulamin with a major recycling opportunity and the critical mass of scrap to trigger investment in recycling capability.

Aluminium beverage cans are the world's most recycled packaging. Brazil recycles 98% of its cans, South Africa should be able to get to this level by 2025

Whereas the bulk of Hulamin's sales of aluminium coil, sheet, plate and extruded profiles is used in end products with long life cycles, the aluminium beverage can is a short life cycle, high volume packaging product made entirely of aluminium (with some paints and lacquers). The cycle of a can from being bought from a shelf in a shop to being back on the shelf as a new can is on average 90 days and can be as short as 60 days in high volume recycling environments.

The used beverage can (UBC) offers the opportunity for closed loop recycling – new cans are made from used cans and maximum conservation of alloying elements in the aluminium used to roll the coil from which cans are made is achieved.

During 2014 and 2015 the steel beverage can in South Africa will be replaced by the all-aluminium can and Hulamin plans to maximise its use of used beverage cans (UBC) as input metal for its can-end and can body coil production in place of primary aluminium. To do this there are three key areas where Hulamin will deploy resources in order to achieve success.

First, Hulamin will work with the other stakeholders in the can value chain to promote a high beverage can recycling rate. The primary objective of the high recycling rate is that of environmental stewardship – to save the energy "embedded" in the aluminium can and to prevent the can going into a landfill. A major spin-off of the introduction of the aluminium can is the intrinsic value of the aluminium that makes up the used can – a factor which will make aluminium can collection in formal and informal waste collection and recycling a desirable activity.

Research and modelling by Hulamin of the impact of UBC recycling in the informal sector shows the potential for both job creation and the enhancement of earnings of existing collectors as a result of aluminium can collection. Upwards of 3 000 jobs could be created in collection activities by 2020.

Second, Hulamin must procure the UBCs recovered from the waste stream in sufficient quantity and at the right level of quality to give the recycling project the critical mass of feedstock. Hulamin's preference is to work with the existing players in the packaging waste and scrap metal collection systems to achieve this, but the possibility of going upstream to capture the volumes needed cannot be ruled out.

Third, Hulamin is investing in the recycling infrastructure needed to recycle UBCs and other forms of end-of-life and customer scrap in the most effective and environmentally responsible manner. The presence of very thin, coated and painted scrap such as in UBCs and other foil scrap requires specialised furnace and scrap preparation equipment; these have been thoroughly researched and selected and the investment returns established. This has resulted in the investment in the new recycling centre being approved for installation adjacent to Hulamin's current ingot casting centre on its Camps Drift site.

In refining its approach to the recycling opportunity Hulamin has fully embraced the concept of Extended Producer Responsibility (EPR) and plans to use the infrastructure created for aluminium can recycling to expand its recycling of other aluminium packaging and light gauge products. By providing a capability for the recycling of the aluminium in the end products of its customers, Hulamin will ensure that environmental impacts are minimised in a co-operative way with its partners in the aluminium value chain.

Hulamin's drive to increase the recycling of aluminium in South Africa will result in an increase in its recycled aluminium inputs; a sure and certain step to ensure that the company's future is dynamic and sustainable.

Nampak Bevcan Springs plant: can stock class scrap packed for recycling at the rolling mill

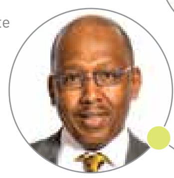
# Governance

# DIRECTORATE

**RICHARD GORDON JACOB** (48)
CHIEF EXECUTIVE OFFICER
Aluminium industry
Corporate and strategic leadership
Commercial strategist
Operational best practice
Rolling technology
**RSHE | TSE**

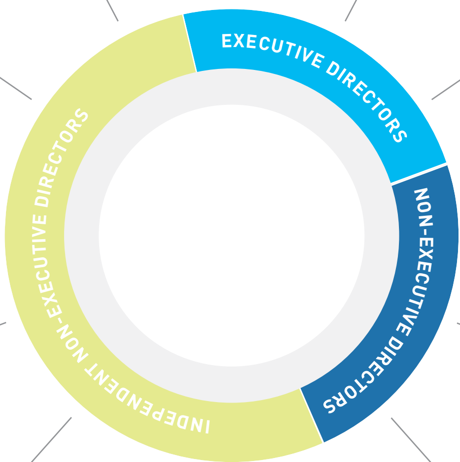
**MAFIKA EDMUND MKWANAZI** (59)
CHAIRMAN OF THE BOARD
Public enterprise leadership
Corporate and strategic leadership
Government and public sector relations
Private enterprise
**RN | RSHE**

**DAVID ALAN AUSTIN** (56)
CHIEF FINANCIAL OFFICER
Metals trading
Financial management
Financial and corporate governance
**RSHE**

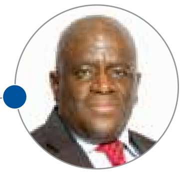


**THABO PATRICK LEEUW** (50)
Financial and investment management
Corporate leadership
Best practice in corporate governance
**A | RSHE | RN[1]**

**ZAMANI MOSES MKHIZE** (52)
Aluminium industry
Corporate and strategic leadership
Operational best practice
Rolling technology
**RSHE**

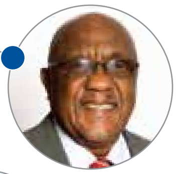



**NOMGANDO ANGELINA MATYUMZA** (50)
Human resource best practice
Entrepreneurial flair
Diverse financial experience
Financial governance
**RN | A | TSE[1]**



**VUSI NOEL KHUMALO** (51)
Public enterprise leadership
Diverse financial management
Government relations
**RN[1] | TSE[2]**

**GEOFFREY HAROLD MELROSE WATSON** (62)
Aluminium industry
Corporate and strategic leadership
Rolling technology
Strategic marketing
International operations experience
**RN[2]**



**JOHANNES BHEKUMUZI MAGWAZA** (71)
Corporate and strategic leadership
Human capital strategy
**TSE | RN**

**PETER HEINZ STAUDE** (60)
Corporate and strategic leadership
Operational best practice
Multinational organisations
Aluminium industry
**RSHE**

**SIBUSISO PETER-PAUL NGWENYA** (60)
Corporate and strategic leadership
Entrepreneurship flair
Public sector leadership
Political insight
**TSE**

**LUNGILE CONSTANCE CELE** (60)
Financial and tax management
Human resource best practice
Entrepreneurial flair
Financial governance
**TSE | A**

**SIMON MICHAEL GWYN JENNINGS** (57)
Multinational beverage packaging
Strategy and marketing
International operations
Corporate, advisory and strategic leadership experience
**RSHE[2]**

| | |
|---|---|
| RN | Remuneration and Nomination Committee |
| RSHE | Risk and Safety, Health and Environment Committee |
| TSE | Transformation, Social and Ethics Committee |
| A | Audit Committee |

SMG Jennings was appointed to the board with effect from 1 July 2013.
CD Hughes resigned with effect from 28 January 2013.
DA Austin was appointed to the board with effect from 1 March 2013.
1 *Resigned as a member with effect from 31 December 2013.*
2 *Member with effect from 1 January 2014.*
Note: Ages quoted for all board members are at 31 December 2013.
For detailed resumés of the board visit www.hulamin.co.za

# EXECUTIVE COMMITTEE

**CEO**
**RICHARD JACOB** (48)
CHIEF EXECUTIVE OFFICER

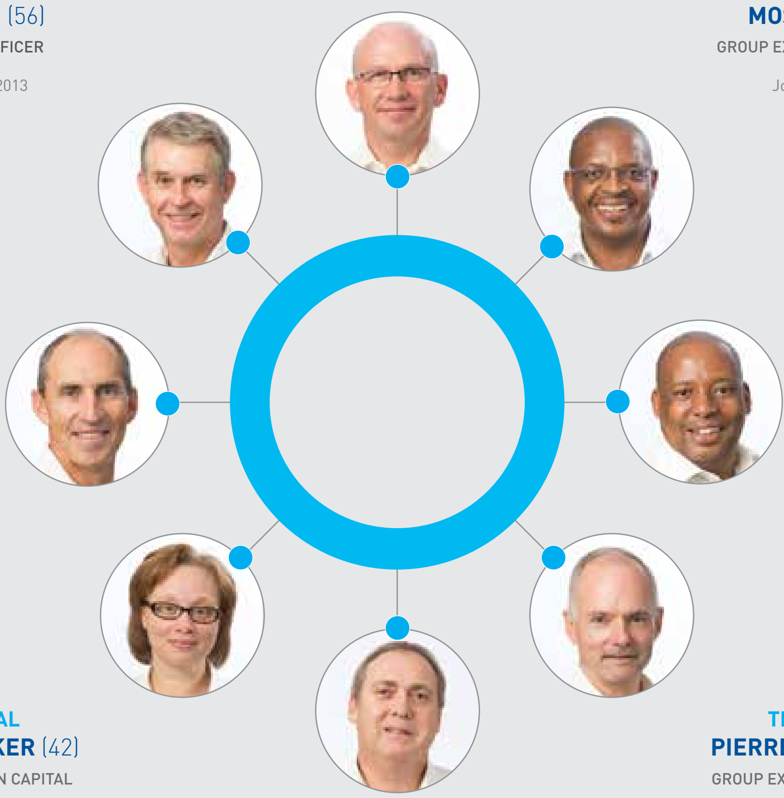
Joined Hulamin in 1990

**FINANCE**
**DAVID AUSTIN** (56)
CHIEF FINANCIAL OFFICER

Joined Hulamin in 2013

**MANUFACTURING**
**MOSES MKHIZE** (52)
GROUP EXECUTIVE: MANUFACTURING

Joined Hulamin in 1982



**METAL SUPPLY**
**FRANK BRADFORD** (53)
GROUP EXECUTIVE: METAL SUPPLY

Joined Hulamin in 1990

**HULAMIN EXTRUSIONS**
**CORPORATE AFFAIRS**
**HECTOR MOLALE** (47)
GROUP EXECUTIVE:
– MANAGING DIRECTOR OF HULAMIN EXTRUSIONS
– CORPORATE AFFAIRS

Joined Hulamin in 1993

**HUMAN CAPITAL**
**MARLENE JANNEKER** (42)
GROUP EXECUTIVE: HUMAN CAPITAL

Joined Hulamin in 1995

**TECHNOLOGY**
**PIERRE TALJAARD** (55)
GROUP EXECUTIVE: TECHNOLOGY

Joined Hulamin in 1994

**SALES, MARKETING, MARKET DEVELOPMENT**
**DARRYL WEISZ** (50)
GROUP EXECUTIVE: SALES/MARKETING/ MARKET DEVELOPMENT

Joined Hulamin in 2012

For detailed resumé of the board visit www.hulamin.co.za

# CORPORATE GOVERNANCE

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

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

Hulamin applies all the principles of the King III Code and the vast majority of the recommended practices of the King III Code. A summary of how each principle is applied can be found at www.hulamin.co.za.

## BOARD OF DIRECTORS

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

### COMPOSITION

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

Details of the directors are listed on page 58 and a brief résumé of each director is available at www.hulamin.co.za.

### APPOINTMENTS AND CHANGES TO THE BOARD

D A Austin was appointed to the board as Chief Financial Officer with effect from 1 March 2014 following the retirement of C D Hughes.

S M G Jennings was appointed to the board with effect from 1 July 2013. Appointments to the board of directors follows a formal and transparent process and is a matter for the board of directors as a whole, assisted by the Remuneration and Nomination Committee.

This additional board appointment has 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.

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

### BOARD PRACTICES

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

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

### SUCCESSION PLANNING

The 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.

### ROTATION

In accordance with the company's Memorandum of Incorporation, adopted by shareholders at its annual general meeting in April 2013, executive directors in addition to non-executive directors are subject to retirement by rotation at intervals of three years and may be re-elected at the annual general meeting at which they retire. Newly appointed directors hold office until the next annual general meeting at which they retire. The board charter requires non-executive directors who have served on the board for more than nine years to retire, except in exceptional circumstances. The appointment and removal of directors, as well as changes to the composition of the board, are based on the recommendation of the Remuneration and Nomination Committee. Non-executive directors are chosen for their business skills and expertise appropriate to the strategic direction of the company. There are no term contracts of service between any of the directors and the company or any of its subsidiaries.

### REMUNERATION AND EFFECTIVENESS EVALUATION

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

In order to improve the board's effectiveness, evaluations of the board, individual directors, board committees and the Chairman are carried out annually. External evaluations are done every second year.

### RESPONSIBILITIES OF THE BOARD

The board's key responsibilities are:

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

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

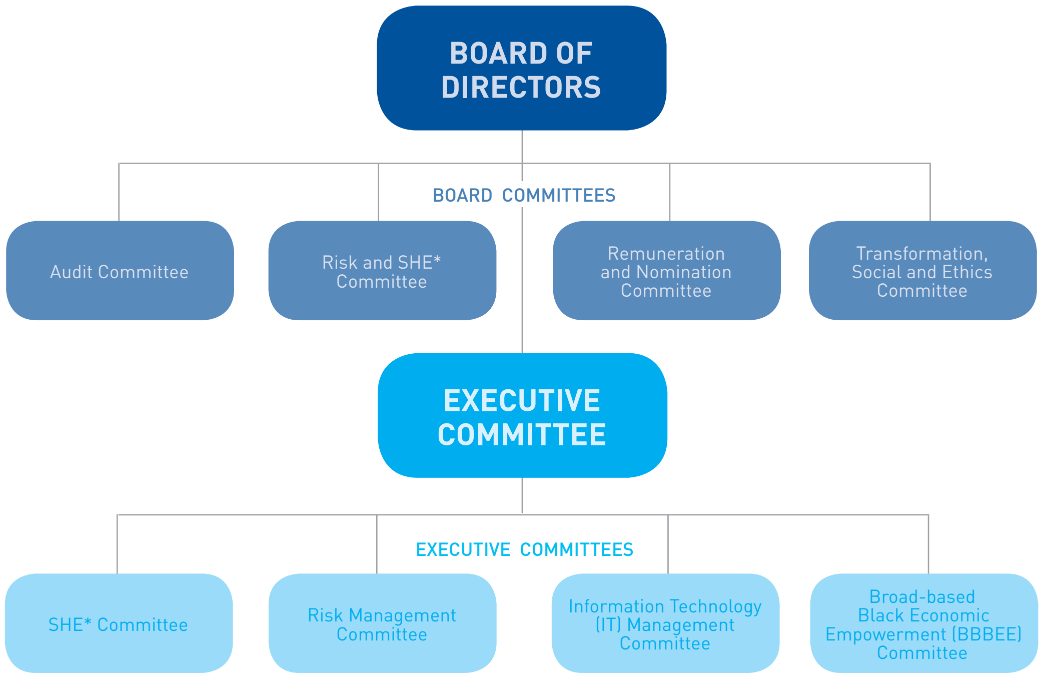
The board is supplied with all relevant information and has unrestricted access to the management of the group and all group information, which enables the directors to adequately discharge their responsibilities. All directors and board committees have full access to the Company Secretary and may, in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

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

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

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

# GOVERNANCE STRUCTURE




** Safety, Health and Environment.*

## THE BOARD AT A GLANCE

| | AGE | AUDIT | RISK AND SHE* | REMUNERATION AND NOMINATION | TRANSFORMATION, SOCIAL AND ETHICS |
|---|---|---|---|---|---|
| **Independent non-executive directors** | | | | | |
| M E Mkwanazi (Chairman) | 59 | | Member | Member | |
| T P Leeuw | 50 | Chairperson | Member | Member[1] | |
| N N A Matyumza | 50 | Member | | Chairperson | Member[1] |
| G H M Watson | 62 | | | Member[2] | |
| P H Staude | 60 | | Chairperson | | |
| L C Cele | 60 | Member | | | Chairperson |
| S M G Jennings | 57 | | Member[2] | | |
| **Non-executive directors** | | | | | |
| V N Khumalo | 51 | | | Member[1] | Member[2] |
| J B Magwaza | 71 | | | Member | Member |
| S P P Ngwenya | 60 | | | | Member |
| **Executive directors** | | | | | |
| R G Jacob (CEO) | 48 | | Member | | Member |
| D A Austin | 56 | | Member | | |
| Z M Mkhize | 52 | | Member | | |
| C D Hughes | 58 | | Member[3] | | |

1 *Resigned as member with effect from 31 December 2013.*
2 *Member with effect from 1 January 2013.*
3 *Resigned as member with effect from 28 February 2013.*
* *Safety, Health and Environment.*

# CORPORATE GOVERNANCE continued

## COMMITTEE ATTENDANCE REGISTER

| | BOARD | AUDIT | RISK AND SHE* | REMUNERATION AND NOMINATION | TRANSFORMATION, SOCIAL AND ETHICS | AD HOC |
|---|---|---|---|---|---|---|
| **Independent non-executive** | | | | | | |
| M E Mkwanazi (Chairman) | 6 of 6 | | 2 of 2 | 7 of 8 | | 3 of 3 |
| T P Leeuw | 6 of 6 | 5 of 5 | 1 of 2 | 8 of 8 | | 2 of 3 |
| N N A Matyumza | 5 of 6 | 5 of 5 | | 8 of 8 | 2 of 3 | |
| G H M Watson | 6 of 6 | | | | | 3 of 3 |
| P H Staude | 6 of 6 | | 2 of 2 | | | 3 of 3 |
| L C Cele | 6 of 6 | 5 of 5 | | | 3 of 3 | 2 of 3 |
| S M G Jennings[1] | 3 of 6 | | | | | |
| **Non-executive** | | | | | | |
| V N Khumalo | 5 of 6 | | | 7 of 8 | | |
| J B Magwaza | 6 of 6 | | | 5 of 8 | 2 of 3 | |
| S P Ngwenya | 3 of 6 | | | | 2 of 3 | |
| **Executive** | | | | | | |
| R G Jacob (CEO) | 6 of 6 | | 2 of 2 | 8 of 8# | 3 of 3 | 3 of 3 |
| D A Austin[2] | 5 of 6 | 3 of 5# | 2 of 2 | | | 1 of 3 |
| Z M Mkhize | 5 of 6 | | 2 of 2 | | | |
| C D Hughes[3] | 1 of 6 | 2 of 5# | | | | |

\# *Attendance by invitation.*
* *Safety, Health and Environment.*
1 *Appointed as director with effect from 1 July 2013.*
2 *Appointed as director with effect from 1 March 2013.*
3 *Resigned as director with effect from 28 February 2013.*

## BOARD COMMITTEES

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

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

The board has an Audit Committee, a Risk and Safety, Health and Environment Committee, a Remuneration and Nomination Committee and a Transformation, Social and Ethics Committee.

## **BOARD COMMITTEES** continued

<table>
<tr><th colspan="2">AUDIT COMMITTEE</th></tr>
<tr><td>CORE RESPONSIBILITIES</td><td>CHAIRMAN</td></tr>
<tr><td rowspan="11">The responsibilities of the committee and details of the execution of the duties of the committee during the year under review are set out in the Report of the Audit Committee on pages 76 to 78.</td><td>T P Leeuw (independent non-executive)</td></tr>
<tr><td>COMPOSITION</td></tr>
<tr><td>Independent non-executive directors<br>N A Matyumza<br>L C Cele<br>Note: The members were re-elected at the annual general meeting held in April 2013.</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td></tr>
<tr><td>3 meetings per annum</td></tr>
<tr><td>INVITEES</td></tr>
<tr><td>C D Hughes (CFO)*<br>D A Austin (CFO)^<br>V N Khumalo (non-executive director)<br>Representatives of internal and external auditors<br>A Krull (financial manager responsible for internal audit)</td></tr>
<tr><td>SECRETARY</td></tr>
<tr><td>W Fitchat (Company Secretary)</td></tr>
</table>

* *Resigned as director with effect from 28 February 2013.*

^ *Appointed as director with effect from 1 March 2013.*

<table>
<tr><th colspan="2">RISK AND SHE* COMMITTEE</th></tr>
<tr><td>CORE RESPONSIBILITIES</td><td>CHAIRMAN</td></tr>
<tr><td rowspan="9">The responsibilities of the committee are set out in written terms of reference. These terms of reference and the company's risk appetite statement were adopted by the board. The Risk and SHE Committee's key responsibilities are:<br>• Overseeing and monitoring the development and implementation of a risk management framework, policy, strategy and plan for a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes within Hulamin<br>• Recommend levels of tolerance and appetite for risk to the board<br>• Report to the board information relevant to risk management and procure independent assurance regarding the effectiveness of the risk management process<br>• Oversee and monitor the implementation of safety, health and environment policies, strategies, targets, plans and systems and review the safety, health and environment risk profile.</td><td>P H Staude (independent non-executive)</td></tr>
<tr><td>COMPOSITION</td></tr>
<tr><td>Independent non-executive directors<br>M E Mkwanazi<br>T P Leeuw<br>S M G Jennings (appointed with effect from 1 January 2014).<br>Executive directors<br>R G Jacob<br>M Z Mkhize<br>D A Austin (appointed with effect from 1 March 2013).<br>C D Hughes (resigned as director with effect from 28 February 2013).</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td></tr>
<tr><td>2 meetings per annum</td></tr>
<tr><td>INVITEES</td></tr>
<tr><td>A P Krull (Financial Manager)<br>H T Molale (Group Executive: Corporate Affairs)<br>D R Weisz (Group Executive: Sales/Marketing/Market Development)</td></tr>
<tr><td>SECRETARY</td></tr>
<tr><td>W Fitchat (Company Secretary)</td></tr>
</table>

* *Safety, Health and Environment.*

# CORPORATE GOVERNANCE continued

## BOARD COMMITTEES continued

<table>
<tr><th colspan="2">REMUNERATION AND NOMINATION COMMITTEE</th></tr>
<tr><td>CORE RESPONSIBILITIES</td><td>CHAIRMAN</td></tr>
<tr><td rowspan="9">The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.<br><br>The Remuneration and Nomination Committee's key responsibilities are:<br><br>• Formulation of employment and reward strategies to attract and retain executives and senior management<br><br>• Recommend to the board the remuneration of directors and senior management<br><br>• Recommend to the board changes in the composition of the board and the appointment and the removal of directors.<br><br>The Chairman of the board serves as chairman of the committee for nomination matters.</td><td>N A Matyumza (independent non-executive)</td></tr>
<tr><td>COMPOSITION</td></tr>
<tr><td>Independent non-executive directors<br>M E Mkwanazi<br>G H M Watson (appointed with effect from 1 January 2014).<br>T P Leeuw (resigned as member with effect from 31 December 2013).<br><br>Non-executive directors<br>J B Magwaza<br>V N Khumalo (resigned as member with effect from 31 December 2013).<br>The nomination of board members to be considered at the annual general meeting of shareholders is the responsibility of the board.</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td></tr>
<tr><td>4 meetings per annum</td></tr>
<tr><td>INVITEES</td></tr>
<tr><td>R G Jacob (CEO)<br>M A Janneker (Group Executive: Human Capital)</td></tr>
<tr><td>SECRETARY</td></tr>
<tr><td>W Fitchat (Company Secretary)</td></tr>
</table>

<table>
<tr><th colspan="2">TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE</th></tr>
<tr><td>CORE RESPONSIBILITIES</td><td>CHAIRMAN</td></tr>
<tr><td rowspan="9">The responsibilities of the committee are set out in written terms of reference, which are reviewed periodically.<br><br>The Transformation, Social and Ethics Committee's key responsibilities are:<br><br>• Recommend to the board the strategies and policies to be adopted to ensure the group's Transformation, Social and Ethics targets are achieved<br><br>• Align the group's Transformation, Social and Ethics strategy with its overall business strategy<br><br>• 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<br><br>• Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships<br><br>• Review policies and statements on ethical standards and on whistle-blowing.</td><td>L C Cele (independent non-executive)</td></tr>
<tr><td>COMPOSITION</td></tr>
<tr><td>Non-executive directors<br>J B Magwaza<br>S P Ngwenya<br>V N Khumalo (appointed with effect from 1 January 2014).<br>N A Matyamza (resigned as member with effect from 31 December 2013).<br><br>Executive directors<br>R G Jacob<br><br>Group executives<br>H T Molale<br>M A Janneker (appointed with effect from 1 January 2014).</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td></tr>
<tr><td>3 meetings per annum</td></tr>
<tr><td>INVITEES</td></tr>
<tr><td>D A Austin (CFO)^</td></tr>
<tr><td>SECRETARY</td></tr>
<tr><td>W Fitchat (Company Secretary)</td></tr>
</table>

^ *Invited to attend committee meetings with effect from 1 January 2014.*

## 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.

<table>
<tr><th colspan="2">EXECUTIVE COMMITTEE</th></tr>
<tr><td>CORE RESPONSIBILITIES</td><td>CHAIRMAN</td></tr>
<tr><td rowspan="7">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.<br><br>The Executive Committee's key responsibilities are:<br><br>• Recommend the business strategy, business plans and budgets to be adopted by the group<br>• Manage the implementation and execution of business strategies and plans approved by the board<br>• Recommend major acquisitions and disposals as part of the group's business strategy<br>• Ensure the group's systems of internal control, governance (including that of information technology) and risk management are both robust and well managed<br>• 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<br>• Approve the capital expenditure plans of the group, within the budget approved by the board.</td><td>R G Jacob</td></tr>
<tr><td>COMPOSITION</td></tr>
<tr><td>The Executive Committee consists of the executive directors and other senior executives.<br><br>The current members are:<br>F B Bradford<br>D A Austin<br>M Z Mkhize<br>H T Molale<br>M A Janneker<br>P A Taljaard<br>D R Weisz<br><br>D A Austin was appointed with effect from 1 March 2013 following the resignation of C D Hughes at the end of February 2013. M A Janneker was appointed with effect from 1 April 2013 following the retirement of T K Mshengu at the end of March 2013. C J Little resigned as a member effective 31 March 2013.</td></tr>
<tr><td>FREQUENCY OF MEETINGS</td></tr>
<tr><td>11 meetings per annum</td></tr>
<tr><td>SECRETARY</td></tr>
<tr><td>W Fitchat (Company Secretary)</td></tr>
</table>

# CORPORATE GOVERNANCE continued

## GROUP EXECUTIVE COMMITTEES continued

| BROAD-BASED BLACK ECONOMIC EMPOWERMENT (BBBEE) COMMITTEE | |
|---|---|
| CORE RESPONSIBILITIES | CHAIRMAN |
| The Hulamin BBBEE Committee reports to the Transformation, Social and Ethics Committee on the six elements of the BBBEE scorecard, which are: ownership, management control, employment equity, skills development, preferential procurement, enterprise development and socio-economic development.<br>The BBBEE Committee's key responsibilities are:<br>• To provide strategic direction with regard to Hulamin's overall BBBEE strategy<br>• Align Hulamin's BBBEE strategy with the overall business strategy of the company<br>• Monitor and review BBBEE progress within Hulamin<br>• Provide the mandate for the setting of targets for the various BBBEE elements<br>• Development of appropriate strategies and processes for the achievement of BBBEE targets<br>• Review the progress towards the achievement of the BBBEE targets and provide direction where challenges are experienced<br>• Ensure the appropriate communication of the company's BBBEE strategy and the implementation thereof<br>• Create a platform for sharing BBBEE information and relevant experiences from which we can learn<br>• Review the company's compliance with employment legislation and regulatory requirements, e.g. the Employment Equity Act, Black Economic Empowerment Act<br>• Report to the Transformation, Social and Ethics Committee. | R G Jacob<br>**COMPOSITION**<br>M A Aldworth<br>D A Austin<br>F B Bradford<br>H de Villiers<br>M A Janneker<br>S M Mabe<br>M Z Mkhize<br>H T Molale<br>R N Nyandeni<br>A K Randles<br>M Reddy<br>P A Taljaard<br>M W Webb<br>D R Weisz<br>P Xaba<br>**FREQUENCY OF MEETINGS**<br>4 meetings per annum<br>**SECRETARY**<br>W N Matyolo (Human Resource Manager) |

| RISK MANAGEMENT COMMITTEE | |
|---|---|
| CORE RESPONSIBILITIES | CHAIRMAN |
| While the board is ultimately accountable for risk management through the Risk and SHE* Committee, the implementation of the group's risk management policies and systems of internal control is an integral part of management of the group's operations.<br>The Risk Management Committee's key responsibilities are:<br>• Recommend to the Risk and SHE* Committee the risk management strategies and policies of the group<br>• Review the integrity and appropriateness of the group's systems of risk assessment and management<br>• Identify new or emerging risks related to all aspects of the business, including financial, operational and compliance risks<br>• Monitor risk reduction actions<br>• Review the internal controls that have been implemented to manage significant risks, and the assurance provided in respect of those controls<br>• Report on its activities to the Risk and SHE* Committee. | D A Austin<br>**COMPOSITION**<br>F B Bradford<br>M A Janneker<br>R G Jacob<br>A P Krull<br>M Z Mkhize<br>H T Molale<br>P A Taljaard<br>D R Weisz<br>**FREQUENCY OF MEETINGS**<br>4 meetings per annum<br>**SECRETARY**<br>W Fitchat (Company Secretary) |

** Safety, Health and Environment.*

## GROUP EXECUTIVE COMMITTEES continued

| INFORMATION TECHNOLOGY (IT) MANAGEMENT COMMITTEE | |
|---|---|
| CORE RESPONSIBILITIES | CHAIRMAN |
| The IT Management Committee's key responsibilities are:<br>• Ensure that an IT governance charter and policies are established and implemented<br>• Promote an ethical IT governance and management culture<br>• Provide leadership and direction to ensure that the IT function achieves, sustains and enhances the company's strategic objectives<br>• Ensure that an IT governance framework is adopted and implemented and that the board via the Audit Committee receives independent assurance on the effectiveness thereof<br>• Ensure that the IT strategy is integrated within the company's strategic and business processes<br>• Ensure there is a robust process in place to identify and exploit appropriate opportunities to improve the performance and sustainability of the company<br>• Oversee management who is responsible for the implementation of all the structures, processes and mechanisms to execute the IT governance framework<br>• Ensure the company obtains independent assurance on the governance of IT, and that adequate controls are in place for outsourcing IT services<br>• Ensure IT legal risks are addressed<br>• Ensure that there are systems in place for the management of information assets<br>• Ensure that the information security strategy is successfully implemented<br>• Ensure appropriate reporting to the Executive Committee and to board committees. | D A Austin<br>**COMPOSITION**<br>H de Villiers<br>L Gertenbach<br>T Hawkins<br>M Reddy<br>I Smith<br>P A Taljaard<br>R Venkatsami<br>**FREQUENCY OF MEETINGS**<br>6 meetings per annum<br>**SECRETARY**<br>D Seagar |

| SAFETY, HEALTH AND ENVIRONMENT COMMITTEE | |
|---|---|
| CORE RESPONSIBILITIES | CHAIRMAN |
| The Safety, Health and Environment Committee's key responsibilities are:<br>• Review SHE* performance<br>• Review major SHE* risks<br>• Monitor actions to reduce SHE*-related risks<br>• Identify new or emerging risks related to SHE*<br>• Review of the internal controls to manage SHE* risks<br>• Report to the Risk and SHE* Committee. | R G Jacob<br>**COMPOSITION**<br>M A Aldworth<br>F B Bradford<br>B Henderson<br>D Jackson<br>M A Janneker<br>M Z Mkhize<br>H T Molale<br>P A Taljaard<br>D R Weisz<br>**FREQUENCY OF MEETINGS**<br>3 meetings per annum<br>**SECRETARY**<br>D Jackson (Chemist and Environmental Specialist) |

** Safety, Health and Environment.*

# CORPORATE GOVERNANCE continued

## COMPANY SECRETARY

The board is satisfied that the Company Secretary is appropriately qualified, competent and experienced for his position in a listed company, which was considered at the December 2013 board meeting. Hulamin's Company Secretary plays a pivotal role in the continuing effectiveness of the board, ensuring that all directors have full and timely access to information that helps them to perform their duties and obligations, and enables the board to function effectively.

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

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

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

## STAKEHOLDER RELATIONSHIPS

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

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

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 2013, the Hulamin group received no requests for access to a record under the Promotion of Access to Information Act, 2000.

## CODE OF ETHICS

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

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

Compliance by all employees with the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner. Appropriate action has been taken in respect of all reported instances of non-compliance with the Code by employees.

## POLITICAL DONATIONS

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

## 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 Committee. There were no significant frauds or thefts during the period under review.

## PRICE-SENSITIVE INFORMATION

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

**COMPLIANCE FRAMEWORK**

Hulamin's compliance framework rests on the company's comprehensive set of policies in this respect. These are updated 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.

# RISK MANAGEMENT

## INTRODUCTION

The employment of an effective risk management process is critical to Hulamin achieving its strategic and operational goals, particularly in the current environment of change and uncertainty.

Hulamin recognises that risk is intrinsic to the business and that there is a balance to be struck between managing risk and exploiting opportunities. The group's response to identified risks includes acceptance, avoidance, transfer and mitigation, as informed by the group's risk appetite and tolerance levels.

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

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

## RISK MANAGEMENT FRAMEWORK

Hulamin's risk management framework provides the basis for the implementation of a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact Hulamin's objectives. The framework also addresses the specific responsibilities and accountabilities for the Enterprise Risk Management (ERM) process and the reporting of risks and incidents at various levels within Hulamin. The framework, which is based on the ERM framework published by the Committee of Sponsoring Organisations (COSO) of the Treadway Commission, assists Hulamin with the aligning of its risk appetite and strategy; pursuing business objectives through transparent identification and management of acceptable risk; prioritising risks to ensure that resources and capital are focused on high priority risks faced by the group; enhancing risk response decisions; reducing operational surprises and losses; identifying and managing multiple and cross-enterprise risks; seizing opportunities; improving allocation and deployment of capital; ensuring compliance with laws and regulations; and increasing the probability of achieving objectives.

## RISK MANAGEMENT REVIEW

- The board of Hulamin is ultimately responsible for the governance of risk of the group and assumes overall ownership thereof.
- The board carries out its responsibilities for risk management via the Risk and SHE Committee which has oversight of the group's enterprise risk management framework, policy and processes.
- There is also a Hulamin Risk Management Committee, a sub-committee of the Hulamin Executive Committee, which together with the Hulamin SHE Committee, is accountable to the Risk and SHE Committee for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the various departments.
- The Hulamin Executive Committee, supported by management, supports Hulamin's risk management philosophy; promotes compliance with the risk appetite; identifies, assesses and manages risks within their spheres of responsibility consistent with risk appetite and tolerances; and manages the implementation of risk reduction actions and appropriate internal controls.
- All Hulamin employees are responsible for executing enterprise risk management in accordance with established directives and protocols.
- A number of external stakeholders often provide information useful in effecting enterprise risk management, but they are not responsible for the effectiveness of Hulamin's enterprise risk management.
- Various external and internal parties provide risk assurance and compliance

## PRINCIPAL RISKS

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

The key strategic risks of the group, extracted from the group risk register, are shown in the table on page 71. These risks have been assessed according to materiality and likelihood on an inherent and residual risk basis.

## INTERNAL CONTROL AND ASSURANCE

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

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

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

- Effectiveness of internal financial controls: Internal audit provides a written statement annually to the Audit Committee on the effectiveness of the systems of internal financial control; and
- Effectiveness of internal controls and risk management: Internal audit provides a written statement annually to the board on the effectiveness of the systems of internal control and risk management.

Specialist assurance providers are used to assess the adequacy and effectiveness of controls in certain instances. These include environmental and safety audits. The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls in place are adequate and effective.

This assurance recognises that the organisation is dynamic and that at any point in time there are new areas of risk exposure which may require management attention. As such, there is a continual focus on ensuring that the control environment is understood and maintained at the required level. Assurance efforts are documented in the combined assurance plan.

| KEY STRATEGIC RISKS (THREATS) | | |
|---|---|---|
| **Principal risk*** | **Risk response** | **Link to strategy**** |
| Security of local rolling slab supply<br>5 | • Ongoing engagement with BHP Billiton and other key stakeholders regarding the future of the Bayside cast house<br>• Ongoing optimisation of casting facilities<br>• Continue to locate additional sources of suitable rolling slab<br>• Investment in aluminium scrap separation, processing and recycling facility will increase slab production by improving throughput through reduced melt cycles | 4<br>5 |
| Security of supply and pricing of LPG<br>6 | • Established close contact with refinery in planning shuts<br>• Alternative supplies of LPG are available, although at a price<br>• Additional storage facilities have been created by suppliers<br>• Continue to develop alternative sources of LPG, particularly gas imported through Durban harbour<br>• Pursue the securing of piped natural or methane-rich gas at competitive rates to reduce dependence on LPG and reduce costs | 2<br>5 |
| Long-term Rand overvaluation<br>10 12 | • Grow local market users of Hulamin's product<br>• Ensure Hulamin is competitive through driving:<br>– Most profitable production mix<br>– Maximisation of sales volumes<br>– Ongoing reduction of cost and improvements in efficiency<br>– Development of world-class capability | 1<br>2<br>3 |
| Electricity supply disruption<br>6 | • Ability to accommodate peak power demand reductions<br>• Have capacity to reduce demand if required during load shedding<br>• Continue to work with Eskom to ensure Hulamin has adequate electricity allocations | 5 |
| Increase in competition in local market from imports<br>12 | • Focus on developing OEM market sectors in South Africa, particularly can body<br>• Re-apply for tariff protection<br>• Enhance non-tariff barriers where possible | 1 2<br>3 5 |
| Profitability of current high margin export products decline as a result of long-term increase in supply by existing and emerging competitors from low cost parts of the world<br>10 | • Monitor competitor actions<br>• Pursue manufacturing excellence and low costs<br>• Optimise production mix and entrench positions in profitable market sectors<br>• Continue with progress up the profitability curve and new product development<br>• Develop local and regional sales, including the promotion of local market OEM type products, e.g. can body stock | 1<br>2<br>3<br>5 |
| Security of supply and pricing of local melting ingot<br>2 3 4 | • Ongoing engagement with relevant stakeholders to promote the value of the aluminium industry to the local economy<br>• Explore alternative supply strategies<br>• Improve mix of products generating recoverable third-party scrap, thereby placing less reliance on primary metal supply | 3<br>4<br>5 |
| Use by governments of market-based instruments, specifically carbon taxes, to induce behavioural changes that contribute to lower GHG emissions<br>8 | • Ongoing engagement with relevant stakeholders to promote the value of the aluminium industry to the local economy<br>• Engagement with government regarding an appropriate approach to the levying of carbon tax on the aluminium industry<br>• Ongoing efforts to increase Hulamin's use of third-party scrap inputs in place of primary aluminium<br>• Ongoing efforts to reduce Hulamin's electricity and gas consumption | 3<br>5 |

* *Icons refer to section on external environment, opportunities and threats on pages 28 to 29.*
** *Refer section on strategic objectives on pages 30 to 31.*

**STRATEGIC OBJECTIVES KEY**

1 *Achieve benchmark operational performance*
2 *Achieve global cost competitiveness*
3 *Grow local and regional sales*
4 *Secure competitive aluminium supply*
5 *Supportive regulatory environment*

# REMUNERATION REPORT

## 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 are 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. There were 149 executive and senior management employees who participated in the performance bonus scheme in the year under review.

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

The annual performance 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. In respect of the executives, a weighting of 70% is applied to the achievement of financial targets and 30% to individual performance. For senior and middle management employees, an equal weighting of 50% is applied to both the financial and the individual performance targets.

The financial targets are related to EBIT, ROCE and HEPS, which all carry an equal weighting. The financial targets are related to the budgets of Hulamin as a whole as well as individual operations. All financial targets have an upper (140%) and a lower (60%) limit at which 100% or 0% of the bonus is paid respectively. Between the 60% lower limit and 140% upper limit, the performance bonus is calculated on a proportional straight-line basis.

Hulamin applies sound performance management processes at executive and senior management level to ensure that there is a direct link between performance and variable pay. The annual key performance indicators, measures and targets are cascaded into key performance areas and targets for various levels of management throughout the organisation. The individual performance rating used in the calculation of payment of bonuses is linked to the individual annual performance assessment ratings achieved. The principle of differentiation based on performance is applied whereby exceptional performers may receive individual performance scores that are significantly higher than the average, and similarly, an individual rating penalty will be applied to employees with below average performance. Sub-standard performance may result in no performance bonuses being paid.

Hulamin's executive performance bonuses for the financial year 2013 were calculated on the achievement of financial targets and an assessment of personal performance.

In respect of the CEO and executives, the achievement of the financial targets for the 2013 financial year was calculated as follows:

| **CEO position** | | | | |
|---|---|---|---|---|
| Target | % Weight-ing | Target points | Actual points achieved for 2013 | Max bonus as a % of cash salary |
| EBIT | 35,00 | 23,00 | 10,06 | |
| ROCE and HEPS | 35,00 | 22,50 | 9,65 | |
| Total | 70,00 | 45,50 | 19,71 | 65,00 |
| **Executives** | | | | |
| EBIT | 35,00 | 17,50 | 7,87 | |
| ROCE and HEPS | 35,00 | 17,50 | 7,29 | |
| Total | 70,00 | 35,00 | 15,16 | 50,00 |

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.

In measuring performance against the financial targets, actual performance is adjusted to exclude the impact of uncontrollable fluctuations in items such as exchange rates. In addition, the Remuneration and Nomination Committee and the board will consider, when determining whether financial targets have been met, whether any specific, significant abnormal items, such as impairments should be adjusted for. In the current year, the Remuneration and Nomination Committee and the board adjusted for the impairment of property, plant and equipment and intangible assets when determining whether financial targets had been met.

The Remuneration and Nomination Committee and the board have the discretion to decide on the payment or non-payment of performance 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 is structured to include long-term incentives for executives and senior management that are in line with the market, aligned to company performance and take 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 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 plans.**

The DBP is offered to selected executives 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.

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 32 to the annual financial statements.

### Other benefits

Membership of the Hulamin Pension Fund 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 as 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. Directors' 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 sub-committees.

Non-executive directors, serving on a board sub-committee as an invitee, at the request of the chairman of the board sub-committee, will be paid the same attendance fee as members of that board sub-committee, subject to shareholder approval at the 2014 annual general meeting.

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 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 138 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

# 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, Mr D A Austin 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 2013 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 Committee.

The company's independent external auditors, PricewaterhouseCoopers, have audited the financial statements and their unqualified report appears on page 81.

The annual financial statements as set out on pages 82 to 153 were approved by the board of directors on 20 February 2014 and are signed on its behalf by:

**Mafika Mkwanazi**
*Chairman*

**Richard Jacob**
*Chief Executive Officer*

Pietermaritzburg, KwaZulu-Natal
20 February 2014

# 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 2013, all such returns as are required of a public company in terms of the aforesaid Act, and that all such returns are true, correct and up to date.

**Willem Fitchat**
*Company Secretary*

Pietermaritzburg, KwaZulu-Natal
20 February 2014

# REPORT OF THE AUDIT COMMITTEE

## INTRODUCTION

The Hulamin Group Audit Committee ("the committee" or "Audit Committee") presents its report in terms of section 94(7)(f) of the Companies Act, 2008, and as recommended by King III, for the financial year ended 31 December 2013.

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

## MEMBERSHIP AND MEETINGS

The committee comprises three independent non-executive directors, who were appointed by shareholders at the 2012 annual general meeting of the company in terms of section 94(2) of the Companies Act. For the year under review, the audit committee comprised:

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

The Chief Financial Officer, financial manager responsible for internal audit and representatives from the external and internal auditors also attended the committee meetings by invitation.

The audit committee met five times during the year and all members of the committee attended all of these meetings.

Full details of membership of the committee and attendance at committee meetings during the financial year are also set out in the Corporate Governance section of the integrated report of the group.

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

### External auditor appointment and independence

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, 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 2013 year as disclosed in note 18.3 of the financial statements of the group and note 6.1 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 Govind as the designated auditor responsible for performing the functions of auditor, for the 2014 year. The committee has satisfied itself that the audit firm and designated auditor are accredited as such on the JSE list of auditors and their advisors.

**Financial statements and accounting practices**

The committee has reviewed the accounting policies and the financial statements of the company and the group for the year ended 31 December 2013, and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

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

**Internal financial controls**

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

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

This written assessment by internal audit formed the basis for the committee's recommendation in this regard to the board, in order for the board to report thereon. The board's opinion on the effectiveness of the system of internal controls and risk management is included on page 75. The committee supports the opinion of the board in this regard.

**Integrated reporting, sustainability and combined assurance**

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

The committee considered the company's sustainability information as disclosed in the integrated report and separate sustainability report of the group for the year ending 31 December 2013 and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee discussed the sustainability information with management and has considered the conclusion of the external assurance provider. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

The committee recommended to the board the appointment of KPMG Services (Pty) Ltd to perform an assurance engagement on key performance indicators included in the company's 2013 sustainability reporting. The committee determined the scope of this assurance engagement and satisfied itself as to the independence and competency of the external assurance provider.

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

The committee has, at its meeting held on 17 February 2014, recommended the 2013 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 as at 31 December 2013 and has made a recommendation to the board in this respect. The board's statement on the going concern status of the company, as supported by the committee, is detailed on page 75.

**Governance of risk**

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

# REPORT OF THE AUDIT COMMITTEE continued

**Internal audit**

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

An internal audit charter is in place which defines the function, responsibility and authority of the group's internal audit activity. The internal audit function's 2013 annual audit plan was approved by the committee.

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

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

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

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

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

On behalf of the audit committee

Thabo Leeuw
*Chairman of the Audit Committee*

Pietermaritzburg, KwaZulu-Natal
17 February 2014

# DIRECTORS' STATUTORY REPORT

**Dear shareholder**

The directors have pleasure in presenting their annual report for the year ended 31 December 2013.

## Nature of business

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

## Financial results

The net loss attributable to shareholders of the group for the year ended 31 December 2013 amounted to R1 344 959 000 (2012 profit of R29 253 000 restated). This translates into a headline earnings per share of 57 cents (2012: 25 cents restated) based on the weighted average number of shares in issue during the year.

The financial statements on pages 82 to 153 set out the financial position, results of operations and cash flows of the group and company for the financial year ended 31 December 2013.

## Dividends

No interim or final dividends for the year ended 31 December 2013 were declared.

## Share capital

There were the following changes in the authorised share capital of the company in the year ended 31 December 2013:

- During the year, 1 127 442 (2012: 245 465) 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) rising to R35 550 396 or 355 503 963 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 notes 11 and 32 of the group financial statements.

The authorised share capital at 31 December 2013 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.

## Subsidiary companies

The principal subsidiaries of the group are reflected in note 33 of the group financial statements.

## Special resolutions adopted by subsidiaries of Hulamin Limited during 2013

**Hulamin Operations Proprietary Limited**

(Registration number: 1999/020410/07)

The following special resolution was passed effective 14 June 2013:

The Memorandum of Incorporation laid before the meeting be adopted and substituted for the company's existing Memorandum and Articles of Association.

## Directorate

Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration appear on pages 123 to 125 of this report.

Mr D A Austin was appointed to the board of directors effective 1 March 2013 and Mr S M G Jennings was appointed to the board of directors effective 1 July 2013.

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:

Mr T P Leeuw, Mr J B Magwaza, Mr M E Mkwanazi, Mr M Z Mkhize and Mr S M G Jennings. The Remuneration and Nomination Committee, at its meeting on 21 November 2013, recommended that they be re-elected and, all being eligible, offered themselves for re-election.

# DIRECTORS' STATUTORY REPORT continued

### Directors' and prescribed officers' shareholdings

At 31 December 2013, the present directors and prescribed officer of the company beneficially held a total of 301 935 ordinary par value shares, equivalent to 0,09 percent in the company (2012: 269 401 ordinary par value shares, equivalent to 0,08 percent, were held by directors). Their associates held no ordinary par value shares in the company (2012: 36 700 ordinary par value shares equivalent to 0,01 percent 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 on pages 126 to 130.

There has been no change in the directors' and prescribed officers' shareholdings between 31 December 2013 and 20 February 2014.

### Holding company

Hulamin Limited has no holding company at 31 December 2013.

### Auditors

PricewaterhouseCoopers continued as auditors of Hulamin Limited and its subsidiaries. At the annual general meeting of 24 April 2014, shareholders will be requested to appoint PricewaterhouseCoopers as auditors of Hulamin Limited for the 2014 financial year and it will be noted that Mr H Govind will be the individual registered auditor that will undertake the audit.

### Secretary

The Company Secretary of Hulamin Limited is Mr W Fitchat. His business and postal address appears in the corporate information 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 and the date of these financial statement 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 82 to 153 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
20 February 2014

# REPORT OF THE INDEPENDENT AUDITORS
## to the shareholders of Hulamin Limited

We have audited the consolidated and separate financial statements of Hulamin Limited set out on pages 82 to 153, which comprise the statements of balance sheet as at 31 December 2013, and the income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

### Directors' responsibility for the financial statements

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

### Auditor's responsibility

Our responsibility is to express an opinion on these consolidated and separate 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 about whether the consolidated and separate 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 consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulamin Limited as at 31 December 2013, 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.

### Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 31 December 2013, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

PricewaterhouseCoopers Inc.

Director: H Govind
*Registered Auditor*

Durban
20 February 2014

# GROUP BALANCE STATEMENT
## as at 31 December 2013

| | Notes | 2013 R'000 | Restated 2012 R'000 | Restated 2011 R'000 |
|---|---|---|---|---|
| ASSETS | | | | |
| **Non-current assets** | | | | |
| Property, plant and equipment | 3 | 2 515 125 | 4 673 697 | 4 915 087 |
| Intangible assets | 4 | 38 093 | 63 437 | 47 499 |
| Investments in associates and joint ventures | 5 | – | – | 40 581 |
| Retirement benefit asset | 26 | 161 468 | 177 179 | 200 962 |
| Deferred tax asset | 6 | 27 815 | 33 632 | 25 957 |
| | | 2 742 501 | 4 947 945 | 5 230 086 |
| **Current assets** | | | | |
| Inventories | 7 | 1 806 575 | 1 515 612 | 1 306 702 |
| Trade and other receivables | 8 | 972 619 | 945 223 | 1 069 739 |
| Derivative financial assets | 9 | 13 889 | 46 990 | 60 747 |
| Cash and cash equivalents | 10 | 192 800 | 29 596 | 19 900 |
| Income tax asset | | 1 488 | – | – |
| | | 2 987 371 | 2 537 421 | 2 457 088 |
| **Total assets** | | 5 729 872 | 7 485 366 | 7 687 174 |
| EQUITY | | | | |
| Share capital and share premium | 11 | 1 817 546 | 1 817 434 | 1 727 643 |
| BEE reserve | | 174 686 | 174 686 | 174 686 |
| Employee share-based payment reserve | | 29 720 | 101 099 | 105 750 |
| Hedging reserve | | (31 305) | (8 898) | 8 322 |
| Retained earnings | | 1 412 163 | 2 663 276 | 2 739 888 |
| **Total equity** | | 3 402 810 | 4 747 597 | 4 756 289 |
| LIABILITIES | | | | |
| **Non-current liabilities** | | | | |
| Non-current borrowings | 12 | – | 556 948 | 628 284 |
| Deferred tax liability | 13 | 405 311 | 962 518 | 978 640 |
| Retirement benefit obligations | 14 | 225 826 | 233 242 | 212 720 |
| | | 631 137 | 1 752 708 | 1 819 644 |
| **Current liabilities** | | | | |
| Trade and other payables | 15 | 826 086 | 718 974 | 816 251 |
| Current borrowings | 16 | 804 482 | 215 131 | 200 325 |
| Derivative financial liabilities | 9 | 65 357 | 49 443 | 94 360 |
| Income tax liability | | – | 1 513 | 305 |
| | | 1 695 925 | 985 061 | 1 111 241 |
| **Total liabilities** | | 2 327 062 | 2 737 769 | 2 930 885 |
| **Total equity and liabilities** | | 5 729 872 | 7 485 366 | 7 687 174 |

# GROUP INCOME STATEMENT
## for the year ended 31 December 2013

| | | Notes | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|---|
| **Revenue** | | | 7 560 007 | 6 541 997 |
| Cost of sales | | 18 | (6 914 691) | (6 111 363)* |
| **Gross profit** | | | 645 316 | 430 634* |
| Selling, marketing and distribution expenses | | 18 | (390 328) | (361 621) |
| Administrative and other expenses | | 18 | (70 830) | (82 713) |
| Impairment of property, plant and equipment and intangible assets | | 19 | (2 122 316) | (84 057)* |
| Other gains and losses | | 17 | 132 787 | 198 844 |
| **Operating (loss)/profit** | | | (1 805 371) | 101 087 |
| Interest income | | 20 | 1 358 | 621 |
| Interest expense | | 20 | (64 715) | (63 530) |
| Share of profits of joint ventures | | | – | 181 |
| **(Loss)/profit before tax** | | | (1 868 728) | 38 359 |
| Taxation | | 21 | 523 769 | (9 106) |
| **Net (loss)/profit for the year attributable to equity holders of the company** | | | (1 344 959) | 29 253 |
| **Earnings per share** | | 22 | | |
| Basic | (cents) | | (422) | 9 |
| Diluted | (cents) | | (417) | 9 |

* *Prior period information has been reclassified. Refer to note 18.*

# GROUP STATEMENT OF COMPREHENSIVE INCOME
## for the year 31 December 2013

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **Net (loss)/profit for the year attributable to equity holders of the company** | (1 344 959) | 29 253 |
| **Other comprehensive loss for the year** | (4 981) | (29 737) |
| Items that may be reclassified subsequently to profit or loss | (22 407) | (17 220) |
| Cash flow hedges transferred to income statement | 12 359 | (11 558) |
| Cash flow hedges created | (43 480) | (12 359) |
| Income tax effect | 8 714 | 6 697 |
| Items that will not be reclassified to profit or loss | 17 426 | (12 517) |
| Remeasurement of retirement benefit obligation | 20 671 | (4 313) |
| Remeasurement of retirement benefit asset | 3 531 | (13 072) |
| Income tax effect | (6 776) | 4 868 |
| **Total comprehensive loss for the year attributable to equity holders of the company** | (1 349 940) | (484) |

# GROUP STATEMENT OF CHANGES IN EQUITY
## for the year ended 31 December 2013

| | Share capital R'000 | Share premium R'000 | Consoli-dated 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 2011 as previously reported | 36 695 | 1 785 749 | (94 801) | 8 322 | 105 750 | 174 686 | 2 653 224 | 4 669 625 |
| Impact of change in accounting policy (note 1.35) | – | – | – | – | – | – | 86 664 | 86 664 |
| Restated balance at 31 December 2011 | 36 695 | 1 785 749 | (94 801) | 8 322 | 105 750 | 174 686 | 2 739 888 | 4 756 289 |
| Net profit for the year (restated) | – | – | – | – | – | – | 29 253 | 29 253 |
| Other comprehensive loss net of tax | | | | | | | | |
| – cash flow hedges net of tax | – | – | – | (17 220) | – | – | – | (17 220) |
| – retirement benefit assets and obligations | – | – | – | – | – | – | (12 517) | (12 517) |
| Cancellation of B ordinary shares on maturity of MSOP and ESOP schemes | (1 282) | (129) | 91 177 | – | – | – | (89 895) | (129) |
| Shares issued (net of B ordinary shares converted) | 25 | – | – | – | – | – | – | 25 |
| Value of employee services (note 18.1) | – | – | – | – | (1 878) | – | – | (1 878) |
| Settlement of employee share incentives | – | – | – | – | (2 773) | – | (3 244) | (6 017) |
| Tax on employee share incentives | – | – | – | – | – | – | (209) | (209) |
| **Restated balance at 31 December 2012** | 35 438 | 1 785 620 | (3 624) | (8 898) | 101 099 | 174 686 | 2 663 276 | 4 747 597 |
| Net loss for the year | – | – | – | – | – | – | (1 344 959) | (1 344 959) |
| Other comprehensive loss net of tax | | | | | | | | |
| – cash flow hedges net of tax | – | – | – | (22 407) | – | – | – | (22 407) |
| – retirement benefit assets and obligations | – | – | – | – | – | – | 17 426 | 17 426 |
| Shares issued | 112 | – | – | – | – | – | – | 112 |
| Value of employee services (note 18.1) | – | – | – | – | 9 360 | – | – | 9 360 |
| Settlement of employee share incentives | – | – | – | (2 457) | – | – | (2 146) | (4 603) |
| Tax on employee share incentives | – | – | – | – | – | – | 284 | 284 |
| Transfer of share-based payment reserve to retained earnings | – | – | – | – | (78 282) | – | 78 282 | – |
| **Balance at 31 December 2013** | 35 550 | 1 785 620 | (3 624) | (31 305) | 29 720 | 174 686 | 1 412 163 | 3 402 810 |

# GROUP CASH FLOW STATEMENT
## for the year ended 31 December 2013

| | Notes | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Cash generated before working capital changes | 24 | 586 817 | 365 911 |
| Changes in working capital | 25 | (211 247) | (181 671) |
| Cash generated from operations | | 375 570 | 184 240 |
| Net interest paid | | (64 212) | (65 510) |
| Income tax payment | | (28 400) | (20 338) |
| Net cash inflow from operating activities | | 282 958 | 98 392 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Additions to property, plant and equipment | | (131 165) | (82 319) |
| Additions to intangible assets | | (16 659) | (15 621) |
| Proceeds on disposal of property, plant and equipment | | 158 | 34 926 |
| Decrease in investment in joint ventures | | – | 36 969 |
| Net cash outflow from investing activities | | (147 666) | (26 045) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | | 804 482 | – |
| Repayment of borrowings | | (772 079) | (56 530) |
| Shares issued | | 112 | 25 |
| Redemption of B ordinary shares | | – | (129) |
| Settlement of share options | | (4 603) | (6 017) |
| Net cash outflow from financing activities | | 27 912 | (62 651) |
| Net increase in cash and cash equivalents | | 163 204 | 9 696 |
| Cash and cash equivalents at beginning of year | | 29 596 | 19 900 |
| Cash and cash equivalents at end of year | 10 | 192 800 | 29 596 |

# INDEX TO THE NOTES TO THE GROUP FINANCIAL STATEMENTS

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 1. ACCOUNTING POLICIES

**BASIS OF PREPARATION**

**1.1 Compliance with International Financial Reporting Standards (IFRS)**

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

**Standards and interpretations in issue and effective**

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, apart from the following:

**Certain amendments to IAS 1 arising from the Annual Improvements to IFRS (issued May 2012)**

The amendments to IAS 1 require items presented in other comprehensive income to be shown in two groups: items that will be recycled to profit or loss in the future and items that will remain in other comprehensive income. Further, the disclosure requirements for comparative information when an entity provides a third balance sheet as required by IAS 8, have been clarified.

The amendments affected presentation only and had no impact on the group's financial position or performance.

**IAS 19 (Revised) – Employee Benefits (IAS19 R)**

IAS19 R amends the accounting for employment benefits. The most significant impact on the group has been that IAS19 R eliminates the option to defer the recognition of actuarial gains and losses. These re-measurements are required to be presented in other comprehensive income in full.

IAS19 R has been applied retrospectively in accordance with its transitional provisions. Consequently, the group has restated its reported results throughout the comparative periods presented and reported the cumulative effect as at 1 January 2012 as an adjustment to opening equity. The effects of the application of IAS19 R on the reported results for the years ended 31 December 2011 and 31 December 2012 are detailed in note 1.35.

Hulamin has adopted the following other new or revised accounting standards in the current period, which have not had a material impact on reported results:

- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- 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 27 – Separate Financial Statements (2011) (effective from 1 January 2013)
- IAS 28 – Investments in Associates and Joint Ventures (2011) (effective from 1 January 2013)
- Improvements to IFRSs – (issued May 2012) (effective from 1 January 2013)
- Amendment to the transition requirements in IFRS 10, IFRS 11 and IFRS 13 (effective from 1 January 2013)

**Standards and interpretations in issue not yet effective**

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

- IFRS 9 – Financial Instruments (effective from 1 January 2015)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (effective from 1 January 2014)
- Disclosures – Fair Value less cost to sell (Amendments to IAS 36) (effective from 1 January 2014)
- IFRIC 21 – Accounting for levies (effective from 1 January 2014)

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES continued

### 1.2 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.

### 1.3 Judgements made by management

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

### 1.4 Recognition of assets and liabilities

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

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

### 1.5 Derecognition of assets and liabilities

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

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

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

### 1.6 Foreign currencies

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

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

### 1.7 Hedge accounting

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. 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, and reflected in the line item hedged (refer to note 17 of the group financial statements).

### 1.8 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.

### 1.9 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.

During the current year, the group changed its accounting policy for accounting for actuarial gains and losses on post-retirement defined benefit plans, resulting from the adoption of IAS 19 (Amended) Employee Benefits. The most significant impact on the group has been that IAS 19 eliminates the option to defer the recognition of actuarial gains and losses, previously referred to as the corridor approach. Under the amended policy, all actuarial gains and losses are recognised in other comprehensive income in full.

The change in accounting policy has been applied retrospectively in accordance with its transitional provisions. Consequently, the group has restated its reported results throughout the comparative periods presented. Refer to note 1.35 for the effect of the change in accounting policy.

### 1.10 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. It is responsible for allocating resources and assessing performance of the operating segments.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES continued

### 1.11 Basis of consolidation

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

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

### 1.12 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.

### 1.13 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.

### 1.14 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

### 1.15 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.

### 1.16 Intangible assets

The group's only intangible asset is computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when all the asset recognition criteria are met. Directly attributable costs that are capitalised as part of the software product comprise mainly software development employee costs.

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

### 1.17 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.

### 1.18 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 future 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.

### 1.19 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.

### 1.20 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.

Loans and receivables, which include trade receivables, are measured at amortised cost less impairment losses, which are recognised in the income statement.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES continued

**1.20 Financial assets** continued

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.

**1.21 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.

**1.22 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash on hand and deposits held with banks with original maturities of three months or less. In the balance sheet and cash flow statement bank overdrafts are included in borrowings.

**1.23 Contingent assets and liabilities**

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

### EQUITY AND LIABILITIES

**1.24 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.

**1.25 Consolidated shares**

Consolidated shares represent the A class ordinary shares issued to the BEE investors. As this structured entity is consolidated in terms of IFRS, these issued shares of the company are treated as treasury shares. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, reissued or disposed of. In the comparative period, the B class ordinary shares issued to the ESOP and MSOP share trusts were similarly treated as treasury shares.

**1.26 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.

### 1.27 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.

### 1.28 Employment benefit obligations

#### Pension obligations

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

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

For defined benefit 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.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position, with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

#### 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.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES continued

### 1.29 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.

### 1.30 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

### 1.31 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. This occurs when the group entity has delivered products to the customer and the customer has accepted the products. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the International Chamber of Commerce Terms of Trade, where these are applicable. Revenue is disclosed 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.

### 1.32 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 (usually more than six months) to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

### 1.33 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.

### 1.34 Earnings per share

The calculation of basic earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the earnings attributable to ordinary shareholders, divided by the weighted average number of ordinary shares in issue during the year, plus the weighted average number of dilutive potential shares resulting from share options.

#### Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2013 issued by the South African Institute of Chartered Accountants (SAICA).

#### Normalised earnings per share

Normalised earnings per share is one of the measuring bases which the chief operating decision maker uses in assessing performance and in deciding how to allocate resources. The calculation of normalised earnings per share is based on headline earnings generated from the primary business operations of the group excluding abnormal or non-recurring gains and losses, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised earnings is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.

**1.35 Change in accounting policy**

During the current year, the group changed its accounting policy for accounting for actuarial gains and losses on post-retirement defined benefit plans, resulting from the adoption of IAS 19 (Amended) Employee Benefits. The most significant impact on the group has been that IAS 19 eliminates the option to defer the recognition of actuarial gains and losses, previously referred to as the corridor approach. Under the amended policy, all actuarial gains and losses are recognised in other comprehensive income in full. The change in accounting policy has been applied retrospectively in accordance with its transitional provisions. Consequently, the group has restated its reported results throughout the comparative periods presented.

The effects of the application of IAS19 R on the reported results for the years presented are as follows:

| | | 2013 R'000 | 2012 R'000 | 2011 R'000 |
|---|---|---|---|---|
| **Impact on profit/(loss) for the period** | | | | |
| Decrease/(increase) in cost of sales | | 6 886 | (143 465) | (9 053) |
| (Increase)/decrease in taxation expense | | (1 928) | 40 170 | 2 535 |
| Increase/(decrease) in net profit for the period | | 4 958 | (103 295) | (6 518) |
| **Impact on comprehensive income/(loss) for the period** | | | | |
| Increase/(decrease) in remeasurement of retirement benefit asset | | 3 531 | (13 072) | 179 082 |
| Decrease/(increase) in remeasurement of retirement benefit obligations | | 20 672 | (4 314) | (49 662) |
| (Increase)/decrease in taxation relating to items of other comprehensive income | | (6 777) | 4 868 | (36 238) |
| Increase/(decrease) in other comprehensive income for the period | | 17 426 | (12 518) | 93 182 |
| **Increase/(decrease) in total comprehensive income for the period** | | 22 384 | (115 813) | 86 664 |
| **Impact on balance sheet** | | | | |
| Increase in retirement benefit asset | | 3 178 | – | 163 347 |
| Increase in retirement benefit obligations | | (12 574) | (40 484) | (42 980) |
| Increase in deferred income tax asset | | 2 959 | 4 072 | 4 732 |
| Increase/(decrease) in deferred income tax liability | | (328) | 7 264 | (38 435) |
| Net (decrease)/increase in net assets | | (6 764) | (29 148) | 86 664 |
| **Decrease/(increase) in retained earnings** | | 6 764 | 29 148 | (86 664) |
| **Impact on earnings per share** | | | | |
| Increase/(decrease) in basic earnings per share | (cents) | 2 | (33) | (2) |
| Increase/(decrease) in diluted earnings per share | (cents) | 2 | (32) | (2) |
| **Impact on headline earnings per share** | | | | |
| Increase/(decrease) in basic headline earnings per share | (cents) | 2 | (33) | (2) |
| Increase/(decrease) in diluted headline earnings per share | (cents) | 2 | (32) | (2) |

**1.36 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.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES continued

### ESTIMATES AND ASSUMPTIONS

#### 1.37 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 32 of the group financial statements.

**Impairment of non-financial assets**

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 3 to 5 of the group financial statements, and note 2 of the company financial statements, were estimated at period end in terms of IAS 36.

The critical estimates and assumptions used in the recoverable amount calculations in respect of the assets of the group are disclosed in note 19 of the group financial statements.

**Consolidation of structured entities**

Hulamin Limited holds a 90% equity interest in Hulamin Operations (Pty) Ltd, with Chaldean Trading 67 (Pty) Ltd ("Chaldean") holding a 10% equity interest as well as a 10% voting-only interest in Hulamin Limited.

Chaldean was established for the purpose of assisting Hulamin to achieve an appropriate BEE ownership level, with the benefit of this entity being for Hulamin, and not only the shareholders of Chaldean. Given that Hulamin, in substance, controls Chaldean, and not withstanding the absence of shareholding in this company by Hulamin, Chaldean is fully consolidated in the consolidated financial statements of the group.

## 2. OPERATING SEGMENT ANALYSIS

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

| | | 2013 | | | 2012 Restated | |
|---|---|---|---|---|---|---|
| | 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 | 6 783 158 | 776 849 | 7 560 007 | 5 852 892 | 689 105 | 6 541 997 |
| Inter-segment revenue | – | – | – | – | – | – |
| Revenue from external customers | 6 783 158 | 776 849 | 7 560 007 | 5 852 892 | 689 105 | 6 541 997 |
| **Earnings** | | | | | | |
| EBITDA* | 469 213 | 57 996 | 527 209 | 362 238 | 45 335 | 407 573 |
| Depreciation and amortisation | (193 554) | (16 710) | (210 264) | (197 961) | (24 468) | (222 429) |
| Impairment of property, plant and equipment and intangible assets | (2 122 316) | – | (2 122 316) | (54 391) | (29 666) | (84 057) |
| Operating (loss)/profit | (1 846 657) | 41 286 | (1 805 371) | 109 886 | (8 799) | 101 087 |
| Interest received | 891 | 467 | 1 358 | 621 | – | 621 |
| Interest paid | (65 416) | 701 | (64 715) | (63 130) | (400) | (63 530) |
| Share of joint venture's profit | – | – | – | 181 | – | 181 |
| (Loss)/profit before tax | (1 911 182) | 42 454 | (1 868 728) | 47 558 | (9 199) | 38 359 |
| Taxation | 535 479 | (11 710) | 523 769 | (15 718) | 6 612 | (9 106) |
| Net (loss)/profit for the year | (1 375 703) | 30 744 | (1 344 959) | 31 840 | (2 587) | 29 253 |
| **Headline earnings** | | | | | | |
| Net (loss)/profit for the year | (1 375 703) | 30 744 | (1 344 959) | 31 840 | (2 587) | 29 253 |
| (Profit)/loss on disposal of property, plant and equipment | (143) | – | (143) | 702 | (16 121) | (15 419) |
| Impairment of property, plant and equipment and intangible assets | 2 122 316 | – | 2 122 316 | 54 391 | 29 666 | 84 057 |
| Loss on disposal of investment in joint venture | – | – | – | 3 793 | – | 3 793 |
| Tax effect | (594 209) | – | (594 209) | (16 195) | (6 568) | (22 763) |
| Headline earnings | 152 261 | 30 744 | 183 005 | 74 531 | 4 390 | 78 921 |
| **Normalised earnings** | | | | | | |
| Headline earnings | 152 261 | 30 744 | 183 005 | 74 531 | 4 390 | 78 921 |
| Adjusted for (net of tax): | | | | | | |
| Severance costs (note 23.2.1) | 18 438 | – | 18 438 | – | – | – |
| Effect of pension fund conversion (note 23.2.2) | – | – | – | (21 584) | – | (21 584) |
| | 170 699 | 30 744 | 201 443 | 52 947 | 4 390 | 57 337 |
| Headline earnings per share: | | | | | | |
| – Basic (cents) | | | 57 | | | 25 |
| – Diluted (cents) | | | 57 | | | 25 |
| Normalised earnings per share: | | | | | | |
| – Basic (cents) | | | 63 | | | 18 |
| – Diluted (cents) | | | 62 | | | 18 |
| **Total assets** | 5 443 306 | 286 566 | 5 729 872 | 7 234 691 | 250 675 | 7 485 366 |
| **Total liabilities** | 2 282 253 | 44 809 | 2 327 062 | 2 697 043 | 40 726 | 2 737 769 |
| **Other disclosures** | | | | | | |
| Additions to property, plant and equipment and intangible assets | 126 258 | 21 566 | 147 824 | 78 415 | 19 525 | 97 940 |

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **2. OPERATING SEGMENT ANALYSIS** continued | | |
| **Analysis of revenue by product market** | | |
| Automotive and transport | 956 661 | 768 648 |
| Building and construction | 194 241 | 286 107 |
| General engineering | 3 741 287 | 3 045 688 |
| Packaging | 2 667 818 | 2 441 554 |
| | 7 560 007 | 6 541 997 |
| **Geographical analysis of revenue** | | |
| South Africa | 2 698 489 | 2 402 927 |
| North America | 1 747 490 | 1 668 093 |
| Europe | 1 540 476 | 1 073 038 |
| Asia | 838 384 | 582 027 |
| Middle East | 287 647 | 264 134 |
| Australasia | 36 209 | 53 679 |
| South America | 388 118 | 467 813 |
| Rest of Africa | 23 194 | 30 286 |
| | 7 560 007 | 6 541 997 |

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

The Hulamin Rolled Products segment includes revenues of R660 million (2012: R593 million) which arose from sales to the group's largest customer.

## 3. PROPERTY, PLANT AND EQUIPMENT

| | Total R'000 | Land R'000 | Buildings R'000 | Plant and machinery R'000 | Vehicles, equipment and other R'000 | Capital works under construction R'000 |
|---|---|---|---|---|---|---|
| **2013** | | | | | | |
| **At cost** | | | | | | |
| Balance at beginning of year | 6 664 474 | 41 171 | 883 707 | 5 462 424 | 170 840 | 106 332 |
| Additions | 131 165 | – | – | 47 674 | – | 83 491 |
| Borrowing costs capitalised | 855 | – | – | – | – | 855 |
| Capitalised from capital works under construction | – | – | 222 | 122 781 | 4 942 | (127 945) |
| Transfer to intangible assets | (4 412) | – | – | – | (4 412) | – |
| Transfers | – | – | (736) | 20 834 | (23 703) | 3 605 |
| Disposals | (256) | – | (35) | (221) | – | – |
| Balance at end of year | 6 791 826 | 41 171 | 883 158 | 5 653 492 | 147 667 | 66 338 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at beginning of year | 1 990 777 | – | 148 443 | 1 754 419 | 87 915 | – |
| Charge for the year (note 18) | 198 546 | – | 20 478 | 165 831 | 12 237 | – |
| Transfer to intangible assets | (2 029) | – | – | – | (2 029) | – |
| Transfers | – | – | – | (6 272) | 6 272 | – |
| Disposals | (241) | – | (20) | (221) | – | – |
| Impairment losses (note 19) | 2 089 648 | 17 433 | 322 527 | 1 696 577 | 19 161 | 33 950 |
| Balance at end of year | 4 276 701 | 17 433 | 491 428 | 3 610 334 | 123 556 | 33 950 |
| **Carrying value at 31 December 2013** | 2 515 125 | 23 738 | 391 730 | 2 043 158 | 24 111 | 32 388 |
| **2012** | | | | | | |
| **At cost** | | | | | | |
| Balance at beginning of year | 6 651 015 | 42 171 | 882 481 | 5 339 777 | 175 070 | 211 516 |
| Additions | 82 319 | – | – | – | – | 82 319 |
| Borrowing costs capitalised | 2 601 | – | – | – | – | 2 601 |
| Capitalised from capital works under construction | – | – | 5 701 | 176 332 | 8 071 | (190 104) |
| Transfer to intangible assets | (10 484) | – | – | – | (10 484) | – |
| Disposals | (60 977) | (1 000) | (4 475) | (53 685) | (1 817) | – |
| Balance at end of year | 6 664 474 | 41 171 | 883 707 | 5 462 424 | 170 840 | 106 332 |
| **Accumulated depreciation and impairment losses** | | | | | | |
| Balance at beginning of year | 1 735 928 | – | 128 956 | 1 524 710 | 82 262 | – |
| Charge for the year (note 18) | 215 058 | – | 20 339 | 185 036 | 9 683 | – |
| Transfer to intangible assets | (2 796) | – | – | – | (2 796) | – |
| Disposals | (41 470) | – | (852) | (39 289) | (1 329) | – |
| Impairment losses (note 19) | 84 057 | – | – | 83 962 | 95 | – |
| Balance at end of year | 1 990 777 | – | 148 443 | 1 754 419 | 87 915 | – |
| **Carrying value at 31 December 2012** | 4 673 697 | 41 171 | 735 264 | 3 708 005 | 82 925 | 106 332 |

The weighted average interest rate used for borrowing costs capitalised is 7,57% (2012: 7,97%).

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

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

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **4. INTANGIBLE ASSETS** | | |
| **Software costs – internally generated and capitalised** | | |
| At beginning of year | 68 485 | 47 936 |
| Additions | 11 778 | 10 065 |
| Transfer from property, plant and equipment | 4 025 | 10 484 |
| At end of year | 84 288 | 68 485 |
| **Accumulated amortisation** | | |
| At beginning of year | 16 914 | 8 403 |
| Charge for the year (note 18) | 9 207 | 5 715 |
| Impairment losses (note 19) | 25 959 | – |
| Transfer from property, plant and equipment | 1 938 | 2 796 |
| At end of year | 54 018 | 16 914 |
| Carrying value at end of year | 30 270 | 51 571 |
| **Software costs – other external** | | |
| At beginning of year | 24 139 | 18 583 |
| Additions | 4 881 | 5 556 |
| Transfer from property, plant and equipment | 387 | – |
| At end of year | 29 407 | 24 139 |
| **Accumulated amortisation** | | |
| At beginning of year | 12 273 | 10 617 |
| Charge for the year (note 18) | 2 511 | 1 656 |
| Impairment losses (note 19) | 6 709 | – |
| Transfer from property, plant and equipment | 91 | – |
| At end of year | 21 584 | 12 273 |
| Carrying value at end of year | 7 823 | 11 866 |
| **Total software costs** | | |
| Cost | 113 695 | 92 624 |
| Accumulated amortisation | 75 802 | 29 187 |
| Carrying value at end of year | 38 093 | 63 437 |

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

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

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

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **5. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES** | | |
| At beginning of year | – | 40 581 |
| Disposed during the year | – | (40 762) |
| Share of profits of joint ventures | – | 181 |
| At end of year | – | – |

The group's investment in HBS Aluminium Systems (Pty) Ltd was disposed of during the 2012 year.

Almin Metal Industries Limited, 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.

Additional details of associates and joint ventures are included in note 33.

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **6. DEFERRED TAX ASSET** | | |
| At beginning of year | 33 632 | 21 225 |
| Tax (charged)/credited directly to equity | (74) | 4 193 |
| Income statement | | |
| Current year (charge)/credit | (4 306) | 8 806 |
| Prior year charge | (1 208) | (592) |
| Deferred tax charge in other comprehensive loss | (229) | – |
| At end of year | 27 815 | 33 632 |
| Analysis of deferred tax asset | | |
| Fixed assets | (363) | 1 608 |
| Retirement benefit obligations and other provisions | 23 876 | 26 298 |
| Other | 4 302 | 218 |
| Assessed loss | – | 5 508 |
| | 27 815 | 33 632 |
| Deferred tax asset to be recovered after more than 12 months | 23 875 | 25 300 |
| Deferred tax asset to be recovered within 12 months | 3 940 | 8 332 |
| | 27 815 | 33 632 |
| **7. INVENTORIES** | | |
| Raw materials | 489 895 | 374 881 |
| Work-in-progress | 442 750 | 407 560 |
| Finished goods | 711 602 | 600 261 |
| Consumable stores | 162 328 | 132 910 |
| | 1 806 575 | 1 515 612 |

Inventories with a carrying value of R1 806 575 000 (2012: R1 416 282 000) are encumbered as security for borrowing facilities (notes 12 and 16).

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **8. TRADE AND OTHER RECEIVABLES** | | | |
| **Financial assets** | | 840 442 | 819 185 |
| Trade receivables | | 834 853 | 753 973 |
| Less: Provision for impairment of receivables | | (7 835) | (6 359) |
| | | 827 018 | 747 614 |
| Sundry receivables | | 13 424 | 71 571 |
| **Non-financial assets** | | 132 177 | 126 038 |
| Prepayments | | 24 942 | 38 750 |
| Value-added taxation receivable | | 107 235 | 87 288 |
| | | 972 619 | 945 223 |
| As at 31 December, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows: | | | |
| Receivables that are neither overdue nor impaired | | 762 932 | 775 866 |
| Receivables overdue but not impaired | | 77 510 | 43 319 |
| Overdue by less than 60 days | | 62 679 | 30 269 |
| Overdue by more than 60 days | | 14 831 | 13 050 |
| Total receivables, net of provision for impairment | | 840 442 | 819 185 |
| One debtor comprises 14% (2012: 9%) 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: | | | |
| Local trade receivables | | 138 799 | 140 514 |
| – Balance subject to credit insurance | (%) | 92 | 72 |
| Export trade receivables | | 610 709 | 563 781 |
| – Balance subject to credit insurance | (%) | 100 | 100 |
| | | 749 508 | 704 295 |
| Trade receivables covered by credit insurance are subject to a 10% excess. | | | |
| Trade and sundry receivables that are impaired are provided for in full. No collateral is held on these receivables. The movement in the provision for impairment is as follows: | | | |
| At 1 January | | 6 359 | 8 253 |
| Receivables written off during the year as uncollectible | | (707) | (836) |
| Net creation/(release) during the year | | 2 183 | (1 058) |
| At 31 December | | 7 835 | 6 359 |

Trade and other receivables with a carrying value of R827 018 000 (2012: R900 578 000) have been ceded as security for borrowing facilities (notes 12 and 16).

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

## 8. TRADE AND OTHER RECEIVABLES continued

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

| | 2013 Foreign amount 000 | 2013 Rand amount R'000 | 2012 Rand amount R'000 |
|---|---|---|---|
| Euro | 42 | 609 | 9 626 |
| Pound Sterling | 5 | 82 | – |
| US Dollar | 869 | 9 095 | 93 997 |
| | | 9 786 | 103 623 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **9. DERIVATIVE FINANCIAL INSTRUMENTS** | | |
| Forward foreign exchange contracts | | |
| – designated as hedging instruments (note 9.1) | (47 033) | (2 273) |
| Forward foreign exchange contracts | | |
| – not designated as hedging instruments (note 9.1) | (9 985) | 13 235 |
| Commodity futures | | |
| – designated as hedging instruments (note 9.2) | 5 550 | (13 415) |
| | (51 468) | (2 453) |
| Grouped as: | | |
| Financial assets | 13 889 | 46 990 |
| Financial liabilities | (65 357) | (49 443) |
| | (51 468) | (2 453) |

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 2013 is made up of exposure on forward foreign exchange contracts and amounted to R5 549 953 (2012: R13 135 838).

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).

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

### 9.1 Foreign currency management

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

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Foreign amount 000 | Rand amount R'000 | Fair value asset/(liability) R'000 | Foreign amount 000 | Rand amount R'000 | Fair value asset/(liability) R'000 |
| **Forward purchases** | | | | | | |
| US Dollar | 5 416 | 56 294 | 1 431 | 6 881 | 60 323 | (2 202) |
| | | 56 294 | 1 431 | | 60 323 | (2 202) |
| **Forward sales** | | | | | | |
| US Dollar | (122 888) | (1 257 291) | (44 862) | (115 813) | (988 924) | 80 |
| Euro | (2 664) | (37 571) | (3 575) | (5 311) | (60 727) | (206) |
| Pound Sterling | (35) | (587) | (27) | (230) | (3 235) | 55 |
| | | (1 295 449) | (48 464) | | (1 052 886) | (71) |
| Net total | | (1 239 155) | (47 033) | | (992 563) | (2 273) |
| Maturing in: | | | | | | |
| 2013 | | – | – | | (992 563) | (2 273) |
| 2014 | | (1 239 155) | (47 033) | | – | – |
| | | (1 239 155) | (47 033) | | (992 563) | (2 273) |
| Cash flow hedges | | (1 257 291) | (44 862) | | (988 924) | 80 |
| Fair value hedges | | 18 136 | (2 171) | | (3 639) | (2 353) |
| | | (1 239 155) | (47 033) | | (992 563) | (2 273) |
| Grouped as: | | | | | | |
| Financial assets | | | 1 647 | | | 20 283 |
| Financial liabilities | | | (48 680) | | | (22 556) |
| | | | (47 033) | | | (2 273) |

## 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

### 9.1 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:

| | 2013 Foreign amount 000 | 2013 Rand amount R'000 | 2013 Fair value asset/ (liability) R'000 | 2012 Foreign amount 000 | 2012 Rand amount R'000 | 2012 Fair value asset/ (liability) R'000 |
|---|---|---|---|---|---|---|
| **Forward purchases** | | | | | | |
| Pound Sterling | 810 | 13 294 | 774 | 68 | 959 | (21) |
| Euro | 965 | 13 458 | 611 | 1 797 | 20 345 | (195) |
| US Dollar | 4 610 | 47 913 | (453) | 7 202 | 63 023 | (1 509) |
| Swiss Franc | – | – | – | 70 | 660 | (12) |
| | | 74 665 | 932 | | 84 987 | (1 737) |
| **Forward sales** | | | | | | |
| US Dollar | (44 647) | (462 357) | (7 581) | (49 635) | (435 126) | 12 688 |
| Euro | (10 588) | (149 309) | (2 710) | (6 763) | (77 319) | 2 167 |
| Pound Sterling | (1 099) | (18 407) | (626) | (295) | (4 162) | 117 |
| | | (630 073) | (10 917) | | (516 607) | 14 972 |
| **Net total** | | (555 408) | (9 985) | | (431 620) | 13 235 |
| Maturing in: | | | | | | |
| 2013 | | – | – | | (431 620) | 13 235 |
| 2014 | | (555 408) | (9 985) | | – | – |
| | | (555 408) | (9 985) | | (431 620) | 13 235 |
| Grouped as: | | | | | | |
| Financial assets | | | 350 | | | 17 832 |
| Financial liabilities | | | (10 335) | | | (4 597) |
| | | | (9 985) | | | 13 235 |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

### 9.2 Commodity price management

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

| | 2013 | | | 2012 | | |
|---|---|---|---|---|---|---|
| | Tons R'000 | Contracted value R'000 | Fair value asset/ (liability) R'000 | Tons value R'000 | Contracted value R'000 | Fair value asset/ (liability) R'000 |
| Net aluminium futures purchases/(sales) maturing in: | | | | | | |
| 2013 | – | – | – | (26 625) | (454 407) | (13 415) |
| 2014 | (10 600) | (203 510) | 5 550 | – | – | – |
| | (10 600) | (203 510) | 5 550 | (26 625) | (454 407) | (13 415) |
| Grouped as: | | | | | | |
| Financial assets | | | 11 893 | | | 8 875 |
| Financial liabilities | | | (6 343) | | | (22 290) |
| | | | 5 550 | | | (13 415) |
| Cash flow hedges | | | 15 445 | | | (16 646) |
| Fair value hedges | | | (9 895) | | | 3 231 |
| | | | 5 550 | | | (13 415) |

| | | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| **10. CASH AND CASH EQUIVALENTS** | | | |
| Bank balances | | 191 907 | 28 984 |
| Cash on hand | | 893 | 612 |
| | | 192 800 | 29 596 |
| Effective interest rates | (%) | 3,25 | 3,25 |
| Bank balances with a carrying value of R191 907 000 (2012: nil) have been ceded as security for borrowing facilities (notes 12 and 16). | | | |
| **11. SHARE CAPITAL AND SHARE PREMIUM** | | | |
| **11.1 Authorised** | | | |
| 800 000 000 ordinary shares of 10 cents each (2012: 800 000 000 ordinary shares of 10 cents each) | | 80 000 | 80 000 |
| 45 000 000 A ordinary shares of 10 cents each (2012: 45 000 000 A ordinary shares of 10 cents each) | | 4 500 | 4 500 |
| 28 000 000 B ordinary shares of 10 cents each (2012: 28 000 000 B ordinary shares of 10 cents each) | | 2 800 | 2 800 |
| Total authorised share capital | | 87 300 | 87 300 |
| The B ordinary shares consist of 15 000 000 B1 shares, 10 000 000 B2 shares and 3 000 000 B3 shares. | | | |
| **11.2 Issued** | | | |
| **Ordinary shares** | | | |
| Opening balance: 318 141 050 ordinary shares of 10 cents each (2012: 317 108 686 ordinary shares of 10 cents each) | | 31 814 | 31 711 |
| Issued during year: 1 127 442 ordinary shares of 10 cents each (2012: 1 032 264 ordinary shares of 10 cents each) | | 112 | 103 |
| Closing balance: 319 268 492 ordinary shares of 10 cents each (2012: 318 141 050 ordinary shares of 10 cents each) | | 31 926 | 31 814 |
| **A ordinary shares** | | | |
| 36 235 470 A ordinary shares of 10 cents each (2012: 36 235 470 A ordinary shares of 10 cents each) | | 3 624 | 3 624 |
| **B ordinary shares** | | | |
| Opening balance | | | |
| Nil (2012: 13 607 470 B ordinary shares of 10 cents each) | | – | 1 360 |
| B ordinary shares repurchased and cancelled | | | |
| Nil (2012: 12 820 671 B ordinary shares of 10 cents each) | | – | (1 282) |
| B ordinary shares converted to ordinary shares | | | |
| Nil (2012: 786 799 B ordinary shares of 10 cents each) | | – | (78) |
| Total issued share capital | | 35 550 | 35 438 |
| **Share premium** | | | |
| Opening balance | | 1 785 620 | 1 785 749 |
| Share premium applied to repurchase B ordinary shares | | – | (129) |
| Closing balance | | 1 785 620 | 1 785 620 |
| Consolidated A and B shares | | (3 624) | (3 624) |
| Share capital and share premium | | 1 817 546 | 1 817 434 |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 11. SHARE CAPITAL AND SHARE PREMIUM continued

#### 11.3 A ordinary shares

The A 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.

#### 11.4 Unissued

**Under option to employees:**

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 32.

**Under the control of the directors:**

At 31 December 2013, 7 129 873 unissued ordinary shares (2012: 8 257 315) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

#### 11.5 Beneficial shareholders holding more than 5% of share capital

Details of beneficial shareholders holding more than 5% of the share capital of the company are set out on page 154.

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **12. NON-CURRENT BORROWINGS** | | |
| Secured loans: | | |
| Standard Bank | – | 566 053 |
| Rand Merchant Bank | – | 62 895 |
| | – | 628 948 |
| Less: Current portion included in short-term borrowings | – | (72 000) |
| | – | 556 948 |

In terms of the company's Memorandum of Incorporation 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.

In 2013 the group changed the funding structure. The new structure has higher facilities and less onerous conditions. Although committed for three years, the revolving nature of the new facilities causes them to be classified as current.

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **13. DEFERRED TAX LIABILITY** | | |
| At beginning of year restated | 962 518 | 940 205 |
| Tax credited directly to equity | (2 525) | (13 629) |
| Income statement | | |
| Current year charge | (554 546) | 34 192 |
| Prior year (credit)/charge | (136) | 1 750 |
| At end of year | 405 311 | 962 518 |
| The deferred tax liability is analysed as follows: | | |
| Accelerated tax depreciation | 484 452 | 1 057 582 |
| Provisions and leave pay accruals | (59 219) | (45 842) |
| Defined benefit fund | 45 211 | 42 346 |
| Insurance accrual | – | 14 840 |
| Assessed loss | (51 639) | (101 517) |
| Share schemes | (3 032) | (1 224) |
| Hedging reserve | (12 174) | (3 460) |
| Other | 1 712 | (207) |
| | 405 311 | 962 518 |
| Deferred tax liability to be settled after more than 12 months | 405 311 | 961 215 |
| Deferred tax liability to be settled within 12 months | – | 1 303 |
| | 405 311 | 962 518 |
| **14. RETIREMENT BENEFIT OBLIGATIONS** | | |
| Post-retirement medical aid provision | 196 870 | 197 416 |
| Retirement gratuity provision | 28 956 | 35 826 |
| | 225 826 | 233 242 |
| The movements in these provisions are detailed in note 26. | | |
| **15. TRADE AND OTHER PAYABLES** | | |
| Trade payables | 641 795 | 543 841 |
| Leave pay and bonus accruals | 74 062 | 71 827 |
| Sundry accruals and other payables | 110 229 | 103 306 |
| | 826 086 | 718 974 |

The fair values of the trade and other payables approximate their carrying value.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **16. CURRENT BORROWINGS** | | | |
| Current portion of long-term loans | | – | 72 000 |
| Bank overdrafts | | – | 143 131 |
| Nedbank term loan | | 656 110 | – |
| Nedbank sale and repurchase loan | | 77 024 | – |
| Pension fund loan | | 71 348 | – |
| | | 804 482 | 215 131 |
| Effective interest rates are as follows: | | | |
| Bank overdrafts | (%) | – | 8,50 |
| Nedbank term loan | (%) | 7,35 | – |
| Nedbank sale and repurchase loan | (%) | 7,52 | – |
| Pension fund loan | (%) | 7,58 | – |

The Nedbank sale and repurchase loan is secured against inventories of R77 024 000 (2012: nil). The Nedbank term loan is secured against total inventories, trade receivables and total bank balances; and also against all credit insurance on trade receivables and against insurance on fixed assets.

The current borrowings have no fixed repayment dates.

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

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **17. OTHER GAINS AND LOSSES** | | |
| Profit on disposal of property, plant and equipment | 143 | 15 419* |
| Loss on sale of investment in joint venture | – | (3 793)* |
| Net gain on curtailment and settlement of defined benefit plan (note 26) | – | 52 125* |
| Insurance proceeds | 33 000 | 93 155* |
| Valuation adjustments on non-derivative items (note 17.1) | 118 223 | 41 938 |
| Valuation adjustments on derivative items (note 17.2) | (18 579) | – |
| | 132 787 | 198 844 |
| **17.1 Valuation adjustments on non-derivative items** | | |
| Export receivables and hedged items in fair value hedges | 129 596 | 48 345 |
| Import payables | 67 | (485) |
| Foreign currency denominated cash balances | (11 440) | (5 922) |
| | 118 223 | 41 938 |
| **17.2 Valuation adjustments on derivative items** | | |
| Forward foreign exchange contracts and commodity futures: not designated as hedging instruments | (43 603) | 22 305 |
| Forward foreign exchange contracts: fair value hedges | 2 953 | (20 872) |
| Commodity futures: fair value hedges | 22 071 | (1 433) |
| | (18 579) | – |
| **17.3 Ineffective portion of all hedges recognised in profit or (loss)** | | |
| Fair value hedges | 8 912 | (1 594) |
| **17.4 The following amounts are included in revenue:** | | |
| Cash flow hedge losses transferred from equity | (141 164) | (52 461) |

* *Prior period information has been resclassified. Refer to note 18.*

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **18. EXPENSES BY NATURE** | | |
| Aluminium and other material costs | 5 326 164 | 4 451 046 |
| Utilities and other direct manufacturing costs | 575 343 | 541 797 |
| Employment costs (note 18.1) | 762 538 | 754 217 |
| Depreciation and amortisation (included in cost of sales) | 210 264 | 222 429 |
| Depreciation (note 3) | 198 546 | 215 058 |
| Amortisation of intangible assets (note 4) | 11 718 | 7 371 |
| Repairs and maintenance | 176 842 | 176 109 |
| Other operating income and expenditure (note 18.2) | 324 698 | 410 099 |
| | 7 375 849 | 6 555 697 |
| **Classified as:** | | |
| Cost of sales | 6 914 691 | 6 111 363 |
| Selling, marketing and distribution expenses | 390 328 | 361 621 |
| Administrative and other expenses | 70 830 | 82 713 |
| | 7 375 849 | 6 555 697 |

In the current year, the charge for impairment of property, plant and equipment and intangible assets (refer note 19) has, due to its magnitude and nature, been presented as a separate line item of the income statement (previously reflected in cost of sales). Certain other items, previously reflected in cost of sales, have been presented in other gains and losses in the current year. The reclassification of the line items from cost of sales results in a more appropriate presentation as those items are not directly associated with generating revenues.

In terms of IAS 8 – Accounting Policies, the comparative information has been reclassified and the effect on the financial statements is as follows:

| | Previously reported 2012 R'000 | Currently reported 2012 R'000 |
|---|---|---|
| **Included in cost of sales:** | | |
| Impairment of property, plant and equipment and intangible assets | 84 057 | – |
| Profit on disposal of property, plant and equipment | (15 419) | – |
| Loss on sale of investment in joint venture | 3 793 | – |
| Net gain on curtailment and settlement of defined benefit plan | (52 125) | – |
| Insurance proceeds | (93 155) | – |
| **Separate line item of income statement:** | | |
| Impairment of property, plant and equipment and intangible assets | – | 84 057 |
| **Included in other gains and losses:** | | |
| Profit on disposal of property, plant and equipment | – | (15 419) |
| Loss on sale of investment in joint venture | – | 3 793 |
| Net gain on curtailment and settlement of defined benefit plan | – | (52 125) |
| Insurance proceeds | – | (93 155) |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **18. EXPENSES BY NATURE** continued | | |
| **18.1 Employment costs** | | |
| Salaries and wages | 673 872 | 643 975 |
| Severance costs | 25 608 | – |
| Retirement benefits costs: | | |
| Defined contribution schemes (note 26) | 40 033 | 24 821 |
| Defined benefit scheme (note 26) | (11 666) | 62 899 |
| Post-retirement medical aid costs (note 26) | 20 262 | 19 435 |
| Staff gratuities (note 26) | 5 069 | 4 965 |
| Share incentive costs | 9 360 | (1 878) |
| Employment costs | 762 538 | 754 217 |
| **18.2 Other operating income and expenditure** | | |
| Other operating income and expenditure includes: | | |
| Write-down of inventories | 5 382 | 11 535 |
| Operating leases | 10 077 | 3 053 |
| Increase/(decrease) in provision for impairment of debtors | 1 476 | (1 894) |
| Auditors' remuneration (note 18.3) | 3 680 | 3 567 |
| **18.3 Auditors' remuneration** | | |
| Audit fees | 3 342 | 3 182 |
| Fees for other services | 160 | 215 |
| Expenses | 178 | 170 |
| | 3 680 | 3 567 |

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **19. IMPAIRMENT OF NON-CURRENT ASSETS** | | |
| The impairment charges recognised in the income statement are as follows: | | |
| – Rolled Products cash generating unit (note 19.1) | 2 122 316 | – |
| – Rolled Products hot mill and other plant and equipment | – | 54 391 |
| – Extrusions plant and equipment | – | 3 666 |
| – Extrusions cash generating unit (note 19.2) | – | 26 000 |
| Total impairment charge | 2 122 316 | 84 057 |
| Taxation thereon | (594 248) | (23 536) |
| Net impairment charge | 1 528 068 | 60 521 |

The company's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period under review. In the circumstances, and as required by IAS 36, management have assessed the recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 3, 4, 7 and 8 (net of liabilities disclosed in note 15) at the period end. The recoverable amount was determined to be the value in use and the assessment compared the estimated value in use based on forecast future cash flows to the carrying amount.

### 19.1 Rolled Products cash-generating unit

The carrying values of these assets at 31 December 2013 exceeded the recoverable amount by R2 122 million and a gross impairment charge of this amount was recognised which, after a reduction of R594 million in the related deferred tax liability, decreased shareholders' equity by R1 528 million.

The key assumptions used in the value in use calculation are consistent with those used in the five year business plan and approved by the board of directors. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. A continuation of slab supply from the BHP Billiton Bayside casthouse was assumed in the forecast and should this supply be terminated in the future, a further impairment may be necessary at that time. Key assumptions include:

Sales volumes – exclude benefits of future capital expenditure and restructuring and adjusted to take account of actual performance against previous forecasts. Annual volume capped at 220 000 tons.

Rolling margins – take into account current and anticipated changes in market conditions and product mix. Adjusted for inflation in the group's target markets leading to forecast real growth in rolling margins of 1% per annum.

Currency exchange rates – based on consensus forecasts of major South African financial institutions with ZAR:USD rate assumed to rise from an annual average of R10,00 in 2014 to R11,39 in 2018.

A pre-tax discount rate of 14,5%, post tax 11,5%, was used in the calculation and this rate is significantly higher than the 12,0%, post tax 9,5%, used in 2012. The increase in the rate was caused by a rise in the general risk free rate and the introduction of a 1,5% (post tax 1%) premium to take account of the increased risk presented by the current volatility in the rand exchange rate and uncertainty surrounding future slab supplies.

Sensitivity analysis

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

Discount rate – increasing the rate from 11,5% to 12,5% would increase the impairment by R567 million.

Rolling margins – lowering average margins by 5% would increase the impairment by R1 515 million.

Rate of exchange – a R1,00 strengthening in the ZAR/USD rate for each year in the forecast period would increase the impairment by R2 046 million.

### 19.2 Extrusions cash-generating unit

The carrying amount of the extruded products unit as at 31 December 2012 was found to exceed the recoverable amount by R26 million and an impairment charge was recognised for this amount. The value in use was estimated using a pre-tax discount rate of 19,27% (post-tax equivalent is 14,23%).

It was determined, as at 31 December 2013, that no impairment of the carrying values of the assets of this cash generating unit is required and that no reversal of the 2012 impairment is required.

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **20. NET FINANCE COSTS** | | |
| Interest expense | 64 715 | 63 530 |
| Long-term loan interest | 35 037 | 48 724 |
| Short-term loan interest | 30 533 | 17 407 |
| Interest capitalised | (855) | (2 601) |
| Interest income | (1 358) | (621) |
| Net finance costs | 63 357 | 62 909 |

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **21. TAXATION** | | | |
| South African normal taxation: | | | |
| **Current** | | | |
| Current year | | 28 751 | (18 627) |
| Prior year (credit)/underprovision | | (3 352) | 4 |
| **Deferred** | | | |
| Current year | | (550 240) | 25 386 |
| Prior year underprovision | | 1 072 | 2 343 |
| | | (523 769) | 9 106 |
| 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 | (%) | 0,0 | (10,2) |
| Non-allowable items | (%) | 0,1 | 10,6 |
| Exempt income | (%) | 0,0 | (15,0) |
| Prior year adjustment | (%) | (0,1) | 6,1 |
| Effect of capital gains tax | (%) | 0,0 | 4,2 |
| Effective rate of taxation | (%) | 28,0 | 23,7 |
| Estimated tax losses available for set-off against future taxable income are as follows: | | | |
| Total tax losses | | 184 426 | 382 230 |

## 22. WEIGHTED AVERAGE NUMBER OF SHARES

Basic earnings per share, headline earnings per share and normalised earnings per share are calculated using the weighted average number of ordinary shares in issue during the year. For purposes of calculating diluted earnings per share and headline earnings per share and normalised earnings per share, the weighted average number of shares in issue is adjusted for the dilutive effect of employee share options.

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

| | December 2013 Number of shares | December 2012 Number of shares |
|---|---|---|
| Basic EPS – weighted average number of shares | 319 007 266 | 317 510 700 |
| Share options | 3 337 019 | 4 521 585 |
| Diluted EPS – weighted average number of shares | 322 344 285 | 322 032 285 |

## 23. HEADLINE AND NORMALISED EARNINGS

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **23.1 Headline earnings** | | | |
| Net (loss)/profit for the year attributable to equity holders of the company | | (1 344 959) | 29 253 |
| Adjustments | | 1 527 964 | 49 668 |
| – Profit on disposal of property, plant and equipment | | (143) | (15 419) |
| – Impairment of property, plant and equipment and intangible assets | | 2 122 316 | 84 057 |
| – Loss on disposal of investment in joint venture | | – | 3 793 |
| – Tax effect | | (594 209) | (22 763) |
| Headline earnings attributable to equity holders of the company | | 183 005 | 78 921 |
| Headline earnings per share | | | |
| Basic | (cents) | 57 | 25 |
| Diluted | (cents) | 57 | 25 |
| **23.2 Normalised earnings** | | | |
| Headline earnings attributable to equity holders of the company | | 183 005 | 78 921 |
| Adjusted for (net of tax): | | | |
| Severance costs (note 23.2.1) | | 18 438 | – |
| Effect of pension fund conversion (note 23.2.2) | | – | (21 584) |
| | | 201 443 | 57 337 |
| Normalised earnings per share | | | |
| Basic | (cents) | 63 | 18 |
| Diluted | (cents) | 62 | 18 |

#### 23.2.1 Severance costs

The group undertook a rightsizing of the workforce in 2013 (refer to note 18.1).

#### 23.2.2 Effect of pension fund conversion

The conversion of the benefits of all in service members from defined benefit to defined contribution and the transfer of the liabilities for the payment of pensions to an insurer, effective 30 June 2012 (refer note 26), resulted in an increase in the group's profits amounting to R30 million before tax.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **24. CASH GENERATED BEFORE WORKING CAPITAL CHANGES** | | |
| Operating (loss)/profit | (1 805 371) | 101 087 |
| Depreciation | 198 546 | 215 058 |
| Amortisation of intangible assets | 11 718 | 7 371 |
| Impairment of property, plant and equipment and intangible assets | 2 122 316 | 84 057 |
| Profit on disposal of property, plant and equipment | (143) | (15 419) |
| Loss on disposal of investment in joint venture | – | 3 793 |
| Net movement in retirement benefit asset and obligations | 32 497 | 26 919 |
| Employee share-based costs | 9 360 | (1 878) |
| Movements in derivatives | 17 894 | (55 077) |
| | 586 817 | 365 911 |
| **25. CHANGES IN WORKING CAPITAL** | | |
| Increase in inventories | (290 963) | (208 910) |
| (Increase)/decrease in trade and other receivables | (27 396) | 124 516 |
| Increase/(decrease) in trade and other payables | 107 112 | (97 277) |
| | (211 247) | (181 671) |

## 26. RETIREMENT BENEFITS

Retirement Benefit Schemes

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

### a. Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R9 125 592 (2012: R8 630 026 ) and were expensed during the year.

### b. Pension funds

**(i) Hulamin Pension Fund (formerly Hulamin Defined Benefit Pension Fund)**

The rules of the Hulamin Defined Benefit Pension Fund were amended during 2012, to include a defined contribution section, and the name of the fund was amended to the Hulamin Pension Fund.

Members and pensioners accepted an offer made by the fund to convert the benefits of all in service members from defined benefit to defined contribution and to transfer the liabilities for the payment of pensions to an insurer, effective 30 June 2012. This resulted in a curtailment gain and a past service cost adjustment in 2012 as well as a loss recognised on conclusion of the final settlement process later in that year and the related accelerated recognition of previously unrecognised actuarial gains. All members moved across to the defined contribution section of the fund. No members remained on the defined benefit section of the fund and application is being made to the Registrar of Pension Funds to remove this section from the rules of the fund. The group has no further exposure to actuarial or investment risk relating to the defined contribution section of the fund."

In addition to an enhancement of benefits granted by the fund to members and pensioners on conversion, the fund also provided certain members with a further benefit which targeted (but provided no guarantee of), at the date of conversion, equivalent benefits on retirement under the defined contribution section as would have been obtained had the member remained in the defined benefit section (the "retirement benefit equalisation value"). The assets relating to the retirement benefit equalisation value are held in the employer surplus account and there is no cross-subsidisation between the retirement benefit equalisation value and the assets held by the fund in terms of the defined contribution section of the fund. The company provides no guarantee in terms of the investment returns that are earned on members' retirement benefit equalisation values, The retirement benefit equalisation value benefit accrues with service and is therefore accounted for as a defined benefit plan in terms of IAS 19 (revised). The group holds no actuarial or investment risk relating to the retirement benefit equalisation value benefit.

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and related plan assets was performed in accordance with IAS 19 (revised) at 31 December 2013.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **26. RETIREMENT BENEFITS** | | |
| **Amounts recognised in the balance sheet are as follows:** | | |
| Fair value of plan assets (represents amounts held in employer surplus account) | 166 176 | 178 100 |
| Present value of funded obligations | (4 708) | (921) |
| Pension fund asset at end of year | 161 468 | 177 179 |
| **Movement in the defined benefit obligation is as follows:** | | |
| Defined benefit obligation at beginning of year | 921 | 1 896 503 |
| Current service cost | 3 079 | 35 694 |
| Interest cost | 383 | 121 990 |
| Employee contributions | – | 9 453 |
| Remeasurements: | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | (64) | 52 622 |
| Actuarial losses/(gains) arising from experience adjustments | 633 | (1 080) |
| Benefits paid | (244) | (62 142) |
| Past service cost | – | 578 529 |
| Curtailments | – | (734 417) |
| Settlements | – | (1 896 231) |
| Defined benefit obligation at end of year | 4 708 | 921 |
| **Movement in the fair value of plan assets is as follows:** | | |
| Fair value of plan assets at beginning of year | 178 100 | 2 097 465 |
| Actual return on plan assets | 19 228 | 133 255 |
| Interest income | 15 128 | 94 785 |
| Remeasurements: | | |
| Actuarial gains arising from changes in financial assumptions | – | – |
| Return on plan assets, excluding amounts included in interest income | 4 100 | 38 470 |
| Employer cash contributions – defined benefit plan | – | 5 277 |
| Employee contributions | – | 9 453 |
| Benefits paid | (244) | (62 142) |
| Settlements | – | (1 999 994) |
| Contribution funded from employer reserves | (30 908) | (5 214) |
| Fair value of plan assets at end of year | 166 176 | 178 100 |
| **The fair value of plan assets comprises the employer surplus account which comprises:** | | |
| Quoted market price in an active market: | | |
| Market risk portfolio | 49 774 | 48 572 |
| Conservative portfolio | 34 084 | 34 989 |
| Money market and cash | 10 970 | 94 539 |
| Other assets: | | |
| Loan to employer company | 71 348 | – |
| | 166 176 | 178 100 |
| Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year | 49 802 | 48 572 |

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **26. RETIREMENT BENEFITS** continued | | | |
| **Retirement Benefit Schemes** continued | | | |
| **Pension Funds** continued | | | |
| **The amounts recognised in the income statement are as follows:** | | | |
| **Defined benefit plan (retirement benefit equalisation value)** | | (11 666) | 62 899 |
| Current service cost | | 3 079 | 35 694 |
| Net interest (income)/cost | | (14 745) | 27 205 |
| **Defined benefit plan – curtailment and settlement*** | | – | (52 125) |
| Past service cost | | – | 578 529 |
| Gains on curtailment | | – | (734 417) |
| Losses on settlement | | – | 103 763 |
| **Defined contribution plan** | | 30 908 | 15 931 |
| Employer contribution from reserves (utilisation of employer surplus account) | | 30 908 | 5 214 |
| Employer cash contribution | | – | 10 717 |
| | | 19 242 | 26 705 |
| Amounts recognised in other comprehensive income are as follows : | | | |
| **Actuarial (gains)/losses arising from changes in financial assumptions** | | (64) | 52 622 |
| Actuarial losses/(gains) arising from experience adjustments | | 633 | (1 080) |
| Return on plan assets, excluding amounts included in interest income | | (4 100) | (38 470) |

* *Relates to pension fund gains and losses recognised as a result of the conversion of benefits of former members from defined benefit to defined contribution during 2012.*

The average duration of the benefit obligation at 31 December 2013 is 25.8 years (2012: 27.0 years).

| | | 2013 | 2012 |
|---|---|---|---|
| **Principal actuarial assumptions at the end of the reporting period are as follows:** | | | |
| Discount rate | (%) | 8,900 | 8,500 |
| Future inflation rate | (%) | 6,000 | 5,650 |

**(ii) Hulamin Pension Fund 2010**

All members of the Hulamin Pension Fund 2010, a defined contribution plan, transferred to the Hulamin Pension Fund (defined contribution section) with effect from 1 July 2012. Deregistration of the Hulamin Pension Fund 2010 was applied for during the 2013 financial year. The group's contributions to the Hulamin Pension Fund 2010, which were expensed during the year, amounted to Rnil (2012: R260 431).

# NOTES TO THE GROUP FINANCIAL STATEMENTS

## for the year ended 31 December 2013

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **26. RETIREMENT BENEFITS** continued | | | |
| **Post-retirement Medical Aid Benefits** | | | |
| The group has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded. | | | |
| **Amounts recognised in the balance sheet are as follows:** | | | |
| Present value of unfunded obligations | | 196 870 | 197 416 |
| Liability in the balance sheet | | 196 870 | 197 416 |
| **The liability can be reconciled as follows:** | | | |
| Balance at beginning of year | | 197 416 | 179 236 |
| Total expense accrued | | 20 262 | 19 435 |
| Remeasurements: | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | | (1 254) | 4 076 |
| Actuarial (gains)/losses arising from experience adjustments | | (11 673) | 1 530 |
| Benefit payments | | (7 881) | (6 861) |
| Balance at end of year | | 196 870 | 197 416 |
| **Amounts recognised in the income statement are as follows:** | | | |
| Interest costs | | 16 756 | 16 124 |
| Current service costs | | 3 506 | 3 311 |
| | | 20 262 | 19 435 |
| **Amounts recognised in other comprehensive income are as follows:** | | | |
| Remeasurements: | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | | (1 254) | 4 076 |
| Actuarial (gains)/losses arising from experience adjustments | | (11 673) | 1 530 |
| **The principal actuarial long-term assumptions are as follows:** | | | |
| Discount rate | (%) | 8,900 | 8,500 |
| Future medical inflation rate | (%) | 7,750 | 7,400 |
| **Sensitivity of future medical inflation rate:** | | | |
| 1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs | | 3 447 | 3 611 |
| 1% increase in future medical inflation rate – effect on the obligation | | 30 185 | 31 933 |
| 1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs | | (2 792) | (2 903) |
| 1% decrease in future medical inflation rate – effect on the obligation | | (24 663) | (25 920) |
| The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. | | | |
| The average duration of the benefit obligation at 31 December 2013 is 14,9 years (2012: 15,6 years). The number is analysed as follows:<br>– active members 21,5 years (2012: 21,2 years)<br>– retired members 10,1 years (2012: 10,1 years) | | | |
| Estimated benefits payable by the group in the next financial year | | 8 786 | 7 566 |

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|

## 26. RETIREMENT BENEFITS continued

### Retirement gratuities

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

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **Amounts recognised in the balance sheet are as follows:** | | | |
| Present value of unfunded obligations | | 28 956 | 35 826 |
| Liability in the balance sheet | | 28 956 | 35 826 |
| **The liability can be reconciled as follows:** | | | |
| Balance at beginning of year | | 35 826 | 33 484 |
| Total expense accrued | | 5 069 | 4 965 |
| Remeasurements: | | | |
| Actuarial gains arising from changes in financial assumptions | | (149) | (26) |
| Actuarial gains arising from experience adjustments | | (7 596) | (1 266) |
| Gratuity payments | | (4 194) | (1 331) |
| Balance at end of year | | 28 956 | 35 826 |
| **Amounts recognised in the income statement are as follows:** | | | |
| Interest costs | | 3 160 | 3 132 |
| Service costs | | 1 909 | 1 833 |
| | | 5 069 | 4 965 |
| **Amounts recognised in other comprehensive income are as follows:** | | | |
| Remeasurements: | | | |
| Actuarial gains arising from changes in financial assumptions | | (149) | (26) |
| Actuarial gains arising from experience adjustments | | (7 596) | (1 266) |
| **The principal actuarial assumptions are:** | | | |
| Discount rate | (%) | 8,900 | 8,500 |
| Future salary inflation rate | (%) | 7,600 | 7,250 |
| **Sensitivity of future salary inflation rate:** | | | |
| 1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs | | 605 | 686 |
| 1% increase in future salary inflation rate – effect on the obligation | | 3 536 | 4 408 |
| 1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs | | (519) | (588) |
| 1% decrease in future salary inflation rate – effect on the obligation | | (3 077) | (3 827) |

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

The average duration of the benefit obligation at 31 December 2013 is 12,2 years (2012: 12,3 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R724 000.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **27. COMMITMENTS** | | |
| Operating lease commitments, amounts due: | | |
| Not later than one year | 12 206 | 2 910 |
| Later than one year and not later than five years | 28 907 | 336 |
| | 41 113 | 3 246 |
| In respect of: | | |
| Property | 336 | 1 529 |
| Plant and machinery | 40 777 | 1 717 |
| | 41 113 | 3 246 |

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

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

### 28. CAPITAL EXPENDITURE COMMITMENTS

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows: | | |
| Property, plant and equipment | 45 425 | 37 852 |

Capital expenditure will be funded by a combination of external borrowings and cash flow from operations.

### 29. CONTINGENT LIABILITIES

In 2012, an artisan employed by an engineering firm which was contracted to Hulamin was injured on Hulamin premises. A claim for expenses, damages and earnings amounting to R300 000 and interest was served on Hulamin. A liability has not been raised for the amount as there is only a remote possibility that the claim will succeed.

### 30. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and joint ventures and the pension fund are disclosed below:

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| Sales to joint venture | – | 9 327 |
| Interest received on loans to joint venture | – | 54 |
| Loan from pension fund (refer note 16) | 71 348 | – |

Transactions with key management personnel, which comprises directors and prescribed officers, are detailed in note 31.

## 31. DIRECTORS' REMUNERATION AND INTEREST

**Directors' and prescribed officer's remuneration during the 2013 financial year**

| Director | Retainer fees Rand | Attendance fees Rand | Cash package Rand | Bonus and performance-related payments^ Rand | Medical aid contributions Rand | Retirement fund contributions Rand | Subtotal Rand | #Value of options granted Rand | Total Rand | Gains on exercise of share options Rand |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-executive** | | | | | | | | | | |
| M E Mkwanazi | 410 802 | 218 660 | | | | | 629 462 | | 629 462 | |
| L C Cele | 233 815 | 115 670 | | | | | 349 485 | | 349 485 | |
| V N Khumalo* | 150 063 | 68 715 | | | | | 218 778 | | 218 778 | |
| T P Leeuw | 275 071 | 128 795 | | | | | 403 866 | | 403 866 | |
| J B Magwaza | 182 219 | 78 615 | | | | | 260 834 | | 260 834 | |
| N N A Matyumza | 257 964 | 113 250 | | | | | 371 214 | | 371 214 | |
| S P Ngwenya | 150 063 | 39 195 | | | | | 189 258 | | 189 258 | |
| S M G Jennings[1] | 206 746 | 98 226 | | | | | 304 972 | | 304 972 | |
| P H Staude | 184 508 | 90 925 | | | | | 275 433 | | 275 433 | |
| G H M Watson | 389 738 | 198 754 | | | | | 588 492 | | 588 492 | |
| Subtotal | 2 440 989 | 1 150 805 | | | | | 3 591 794 | | 3 591 794 | |
| **Executive** | | | | | | | | | | |
| R G Jacob | | | 3 534 348 | 1 070 943 | 86 832 | 440 969 | 5 133 092 | 1 286 939 | 6 420 031 | 52 205 |
| D A Austin[2] | | | 1 955 500 | 502 404 | 108 993 | 243 750 | 2 810 647 | 277 603 | 3 088 250 | – |
| C D Hughes[3] | | | 404 128 | 104 082 | 23 680 | 50 379 | 582 269 | 290 036 | 872 305 | – |
| M Z Mkhize | | | 2 411 184 | 571 048 | 142 080 | 300 573 | 3 424 885 | 396 852 | 3 821 737 | – |
| Subtotal | | | 8 305 160 | 2 248 477 | 361 585 | 1 035 671 | 11 950 893 | 2 251 430 | 14 202 323 | 52 205 |
| **Prescribed officer** | | | | | | | | | | |
| D R Weisz | | | 1 791 500 | 661 149 | 84 816 | 245 438 | 2 782 903 | 223 970 | 3 006 873 | – |
| Total | 2 440 989 | 1 150 805 | 10 096 660 | 2 909 626 | 446 401 | 1 281 109 | 18 325 590 | 2 475 400 | 20 800 990 | 52 205 |

^ *The bonus payments reflected above are in relation to the 2013 year, paid in 2014.*

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

\# *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payments.*

1 *S M G Jennings was appointed to the board from 1 July 2013.*

2 *D A Austin was appointed to the board from 1 March 2013.*

3 *C D Hughes retired from the board on 28 February 2013. His remuneration for the period 1 March 2013 to 31 May 2013 when he retired from the company is included in the table that follows.*

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 31. DIRECTORS' REMUNERATION AND INTEREST continued

**Executive Committee members' remuneration during the 2013 financial year***

| | Cash package Rand | Bonus and performance-related payments^ Rand | Medical aid contributions Rand | Retirement fund contributions Rand | Total Rand | Gains on exercise of share options Rand |
|---|---|---|---|---|---|---|
| Total | 8 489 272 | 2 115 396 | 474 672 | 1 071 170 | 12 150 510 | 1 923 020 |

* *Excluding executive directors and prescribed officers. C D Hughes retired from the board on 28 February 2013. His remuneration for the period 1 March 2013 to 31 May 2013 when he retired from the company is included in this table.*

^ *The bonus payments reflected above are in relation to the 2013 year, paid in 2014.*

No other employee earned more than the executive directors, prescribed officer and Executive Committee members in the 2013 year.

## 31. DIRECTORS' REMUNERATION AND INTEREST continued

### Directors' and prescribed officer's remuneration during the 2012 financial year

| Director | Retainer fees Rand | Attendance fees Rand | Cash package Rand | Bonus and performance-related payments^ Rand | Medical aid contributions Rand | Retirement fund contributions Rand | Subtotal Rand | #Value of options granted Rand | Total Rand | Gains on exercise of share options Rand |
|---|---|---|---|---|---|---|---|---|---|---|
| **Non-executive** | | | | | | | | | | |
| M E Mkwanazi | 394 783 | 192 675 | | | | | 587 458 | | 587 458 | |
| L C Cele | 231 175 | 106 875 | | | | | 338 050 | | 338 050 | |
| V N Khumalo* | 139 242 | 63 100 | | | | | 202 342 | | 202 342 | |
| T P Leeuw | 221 477 | 100 050 | | | | | 321 527 | | 321 527 | |
| J B Magwaza | 185 267 | 73 500 | | | | | 258 767 | | 258 767 | |
| N N A Matyumza | 202 242 | 77 900 | | | | | 280 142 | | 280 142 | |
| S P Ngwenya | 139 242 | 18 900 | | | | | 158 142 | | 158 142 | |
| G Pretorius | 85 517 | 32 000 | | | | | 117 517 | | 117 517 | |
| P H Staude | 157 733 | 75 975 | | | | | 233 708 | | 233 708 | |
| G H M Watson | 327 485 | 159 715 | | | | | 487 200 | | 487 200 | |
| Subtotal | 2 084 163 | 900 690 | | | | | 2 984 853 | | 2 984 853 | |
| **Executive** | | | | | | | | | | |
| R G Jacob | | | 3 366 360 | 1 179 346 | 77 676 | 455 247 | 5 078 629 | 733 136 | 5 811 765 | 77 517 |
| C D Hughes | | | 2 317 320 | 639 752 | 100 803 | 313 103 | 3 370 978 | 377 003 | 3 747 981 | 77 517 |
| M Z Mkhize | | | 2 296 680 | 600 915 | 93 830 | 310 306 | 3 301 731 | 639 813 | 3 941 544 | 455 523 |
| Subtotal | | | 7 980 360 | 2 420 013 | 272 309 | 1 078 656 | 11 751 338 | 1 749 952 | 13 501 290 | 610 557 |
| **Prescribed officer**** | | | | | | | | | | |
| D R Weisz | | | 562 200 | 112 830 | 16 772 | 77 000 | 768 802 | | 768 802 | |
| Total | 2 084 163 | 900 690 | 8 542 560 | 2 532 843 | 289 081 | 1 155 656 | 15 504 993 | 1 749 952 | 17 254 945 | 610 557 |

^ *The bonuses reflected above are in relation to the 2012 year, paid in 2013.*

* *Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.*

# *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2 – Share-based Payments.*

** *In the 2011 year, Mr C J Little was disclosed as the prescribed officer, due to his role as Managing Director of Hulamin Extrusions (Pty) Ltd. With effect from 1 January 2012, he was appointed to the Rolled Products division. His remuneration from this date is disclosed in the table that follows. Mr D R Weisz was appointed to this position with effect from 1 September 2012.*

### Executive Committee members' remuneration during the 2012 financial year*

| | Cash package Rand | Bonus and performance-related payments^ Rand | Medical aid contributions Rand | Retirement fund contributions Rand | Total Rand | Gains on exercise of share options Rand |
|---|---|---|---|---|---|---|
| Total | 9 287 640 | 2 392 095 | 411 752 | 1 254 003 | 13 345 490 | 1 967 778 |

* *Excluding executive directors and prescribed officers.*

^ *The bonus payments reflected above are in relation to the 2012 year, paid in 2013.*

No other employee earned more than the executive directors, prescribed officer and Executive Committee members in the 2012 year.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 31. DIRECTORS' REMUNERATION AND INTEREST continued

**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 is shown in the table below:

**The Tongaat Hulett Group Limited 2001 Share Option Scheme – options apportioned at unbundling**

OPTIONS RELATED TO THE TONGAAT HULETT SHARE PRICE

| | Adjusted option price | Expiring ten years from | Number of options at 31 Dec 2012 | Number of options exercised during 2013 | Number of options at 31 Dec 2013 | Options time constrained |
|---|---|---|---|---|---|---|
| **Executive director** | | | | | | |
| C D Hughes | R26,34 | 1 Oct 2003 | 4 500 | 4 500 | – | |
| | R35,90 | 21 Apr 2004 | 4 800 | 4 800 | – | |
| Total | | | 9 300 | 9 300 | – | |

OPTIONS RELATED TO THE HULAMIN SHARE PRICE

| | Adjusted option price | Expiring ten years from | Number of options at 31 Dec 2012 | Number of options lapsed during 2013 | Number of options at 31 Dec 2013 | Options time constrained |
|---|---|---|---|---|---|---|
| **Executive director** | | | | | | |
| R G Jacob | R11,10 | 21 Apr 2004 | 3 800 | | 3 800 | |
| | | | 3 800 | | 3 800 | |
| C D Hughes | R8,15 | 1 Oct 2003 | 4 500 | 4 500 | – | |
| | R11,10 | 21 Apr 2004 | 4 800 | | 4 800 | |
| | | | 9 300 | 4 500 | 4 800 | |
| M Z Mkhize | R11,10 | 21 Apr 2004 | 3 400 | | 3 400 | |
| | | | 3 400 | | 3 400 | |
| Total | | | 16 500 | 4 500 | 12 000 | |

## 31. DIRECTORS' REMUNERATION AND INTEREST continued

### Interest of directors and prescribed officers of the company in share-based instruments continued

**The Tongaat-Hulett Group Limited Share Appreciation Right Scheme (SARS) 2005 – rights apportioned at unbundling**

RIGHTS RELATING TO THE TONGAAT HULETT SHARE PRICE

| | Number of rights granted in 2006 | Number of rights at 31 Dec 2012 | Number of rights exercised during 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| C D Hughes | 7 441 | 7 441 | 7 441 | – | |
| | 7 441 | 7 441 | 7 441 | – | |
| Adjusted grant price | R73,39 | | | | |
| Expiring seven years from | 25 Apr 2006 | | | | |

RIGHTS RELATING TO THE HULAMIN SHARE PRICE

| | Number of rights granted in 2006 | Number of rights at 31 Dec 2012 | Rights expired in 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|
| **Executive director** | | | | | |
| R G Jacob | 6 241 | 6 241 | 6 241 | – | |
| C D Hughes | 7 441 | 7 441 | 7 441 | – | |
| M Z Mkhize | 7 736 | 7 736 | 7 736 | – | |
| | 21 418 | 21 418 | 21 418 | – | |
| Adjusted grant price | R22,70 | | | | |
| Expiring seven years from | 25 Apr 2006 | | | | |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 31. DIRECTORS' REMUNERATION AND INTEREST continued

**Interest of directors and prescribed officers of the company in share-based instruments** continued

**Hulamin Limited Share Appreciation Right Scheme 2007**

| | Number of rights granted in 2009 | Number of rights granted in 2011 | Number of rights at 31 Dec 2012 | Number of rights granted in 2013 | Number of rights lapsed in 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|---|---|
| **Executive director** | | | | | | | |
| R G Jacob | 98 933 | 509 138 | 608 071 | 1 018 161 | | 1 626 232 | 1 626 232 |
| D A Austin | | | – | 234 243 | | 234 243 | 234 243 |
| C D Hughes | 122 024 | 263 745 | 385 769 | 243 345 | 507 090 | 122 024 | 122 024 |
| M Z Mkhize | 111 958 | 261 503 | 373 461 | 470 418 | | 843 879 | 843 879 |
| | 332 915 | 1 034 386 | 1 367 301 | 1 966 167 | 507 090 | 2 826 378 | 2 826 378 |
| **Prescribed officer** | | | | | | | |
| D R Weisz | | | | 168 174 | | 168 174 | 168 174 |
| | 332 915 | 1 034 386 | 1 367 301 | 2 134 341 | 507 090 | 2 994 552 | 2 994 552 |
| Grant price | R11,50 | R6,91 | | R4,56 | | | |
| Grant date | 24 Jul 2009 | 25 May 2011 | | 25 Feb 2013 | | | |
| Grant price | | | | R4,01 | | | |
| Grant date | | | | 27 May 2013 | | | |

**Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions**

| | Number of conditional awards granted in 2011 | Number of conditional awards as at 31 Dec 2012 | Number of conditional awards granted at 31 Dec 2013 | Number of conditional awards lapsed in 2013 | Number of conditional awards at 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|
| **Executive director** | | | | | | |
| R G Jacob | 262 006 | 262 006 | 381 132 | | 643 138 | 643 138 |
| D A Austin | | – | 102 232 | | 102 232 | 102 232 |
| C D Hughes | 135 731 | 135 731 | 106 329 | 242 060 | – | |
| M Z Mkhize | 134 578 | 134 578 | 205 430 | | 340 008 | 340 008 |
| | 532 315 | 532 315 | 795 123 | 242 060 | 1 085 378 | 1 085 378 |
| **Prescribed officer** | | | | | | |
| D R Weisz | | | 73 397 | | 73 397 | 73 397 |
| Total | 532 315 | 532 315 | 868 520 | 242 060 | 1 158 775 | 1 158 775 |
| Grant price | R6,91 | | R4,56 | | | |
| Grant date | 25 May 2011 | | 25 Feb 2013 | | | |
| Grant price | | | R4,01 | | | |
| Grant date | | | 27 May 2013 | | | |

## 31. DIRECTORS' REMUNERATION AND INTEREST continued

**Interest of directors and prescribed officers of the company in share-based instruments** continued

Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

| | Number of conditional awards at 31 Dec 2012 | Number of conditional awards granted in 2013 | Number of conditional awards exercised in 2013 | Number of conditional awards lapsed in 2013 | Number of conditional awards at 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|
| **Executive director** | | | | | | |
| R G Jacob | | 127 186 | | | 127 186 | 127 186 |
| D A Austin | | 179 073 | | | 179 073 | 179 073 |
| C D Hughes | | 35 443 | 6 892 | 28 551 | – | |
| M Z Mkhize | | 68 476 | | | 68 476 | 68 476 |
| | – | 410 178 | 6 892 | 28 551 | 374 735 | 374 735 |
| **Prescribed officer** | | | | | | |
| D R Weisz | | 123 150 | | | 123 150 | 123 150 |
| Total | – | 533 328 | 6 892 | 28 551 | 497 885 | 497 885 |
| Grant price | | R4,56 | | | | |
| Grant date | | 25 Feb 2013 | | | | |
| Grant price | | R4,60 | | | | |
| Grant date | | 1 Mar 2013 | | | | |
| Grant price | | R4,01 | | | | |
| Grant date | | 27 May 2013 | | | | |

Hulamin Limited Deferred bonus Plan 2007

| | Number of conditional awards granted in 2010 | Number of conditional awards granted in 2012 | Number of conditional awards at 31 Dec 2012 | Number of conditional awards exercised in 2013 | Number of conditional awards granted in 2013 | Number of conditional awards at 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|
| **Executive director** | | | | | | | |
| R G Jacob | 9 906 | 24 669 | 34 575 | 9 906 | 32 534 | 57 203 | 57 203 |
| | 9 906 | 24 669 | 34 575 | 9 906 | 32 534 | 57 203 | 57 203 |
| Grant price | R8,93 | R7,60 | | | R4,55 | | |
| Grant date | 1 Nov 2010 | 16 Apr 2012 | | | 4 Mar 2013 | | |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 31. DIRECTORS' REMUNERATION AND INTEREST continued

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

The aggregate holdings as at 31 December 2013 of those directors of the company and the prescribed officer holding issued ordinary shares of the company are detailed below:

| As at 31 December 2013 | Direct beneficial shares | Indirect beneficial shares | Held by associates | Shares total |
|---|---|---|---|---|
| **Executive** | | | | |
| R G Jacob | 118 897 | | | 118 897 |
| M Z Mkhize | 75 668 | | | 75 668 |
| | 194 565 | – | – | 194 565 |
| **Non-executive** | | | | |
| L C Cele | 10 000 | | | 10 000 |
| J B Magwaza | 5 760 | | | 5 760 |
| P H Staude | 91 610 | | | 91 610 |
| | 107 370 | – | – | 107 370 |
| Total | 301 935 | – | – | 301 935 |

There have been no changes in the above interests between the year-end and 20 February 2014.

| As at 31 December 2012 | Direct beneficial shares | Indirect beneficial shares | Held by associates | Shares total |
|---|---|---|---|---|
| **Executive** | | | | |
| R G Jacob | 86 363 | | | 86 363 |
| M Z Mkhize | 75 668 | | | 75 668 |
| | 162 031 | – | – | 162 031 |
| **Non-executive** | | | | |
| L C Cele | 10 000 | | | 10 000 |
| J B Magwaza | 5 760 | | | 5 760 |
| M E Mkwanazi | | | 36 700 | 36 700 |
| P H Staude | 91 610 | | | 91 610 |
| | 107 370 | – | 36 700 | 144 070 |
| Total | 269 401 | – | 36 700 | 306 101 |

## 32. SHARE-BASED PAYMENTS

### Employee share incentive schemes

Details of awards in terms of the company's share incentive schemes are as follows:

**The Tongaat-Hulett Group Limited 2001 Share Option Scheme**

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 2012 | Options exercised in 2013 | Options forfeited in 2013 | Number of options at 31 Dec 2013 | Options time constrained |
|---|---|---|---|---|---|---|---|
| R24,37 | R8,48 | 14 Apr 2003 | 25 200 | 25 200 | – | – | |
| R26,35 | R8,44 | 1 Oct 2003 | 4 500 | 4 500 | – | – | |
| R35,90 | R11,03 | 21 Apr 2004 | 43 400 | 14 500 | – | 28 900 | |
| | | | 73 100 | 44 200 | – | 28 900 | |

| Hulamin modified grant price | Estimated weighted average fair value per option | Expiring ten years from | Number of options at 31 Dec 2012 | Options expired in 2013 | Options forfeited in 2013 | Number of options at 31 Dec 2013 | Options time constrained |
|---|---|---|---|---|---|---|---|
| R7,53 | R2,62 | 14 Apr 2003 | 44 700 | 44 700 | – | – | |
| R8,15 | R2,61 | 1 Oct 2003 | 4 500 | 4 500 | – | – | |
| R11,10 | R3,60 | 21 Apr 2004 | 125 100 | 1 000 | 3 000 | 121 100 | |
| | | | 174 300 | 50 200 | 3 000 | 121 100 | |

The estimated fair value of the share options at grant date was determined using a binomial tree valuation model. Options were exercised during the year. The volume-weighted average share prices during the year for Tongaat Hulett and Hulamin shares were R128,83 and R4,63 respectively.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 32. SHARE-BASED PAYMENTS continued

**Employee share incentive schemes** continued

**The Tongaat-Hulett Group Limited 2001 Share Option Scheme** 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 and four years |
| – Non-market | None |
| – Market | None |
| – Expected remaining life | 2004 award: 4 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 were the same as that of the original SARS. Hulamin was obliged to settle all benefits under these SARS in relation to its own employees using Hulamin shares which were purchased in the market. The benefit for the Hulamin right was 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.

## 32. SHARE-BASED PAYMENTS continued

### 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 2012 | Rights exercised in 2013 | Rights forfeited in 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|---|---|
| R73,39 | R23,81 | 25 Apr 2006 | 70 484 | 70 484 | – | – | |
| | | | 70 484 | 70 484 | – | – | |

| Hulamin modified grant price | Estimated weighted average fair value per right | Expiring seven years from | Number of rights at 31 Dec 2012 | Rights expired in 2013 | Rights forfeited in 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|---|---|
| R22,70 | R7,36 | 25 Apr 2006 | 224 392 | 224 392 | – | – | |
| | | | 224 392 | 224 392 | – | – | |

Options were exercised during the year. The volume-weighted average share prices during the year for Tongaat Hulett and Hulamin shares were R128,83 and R4,63 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 | 7,22% |
| Expected volatility | 35% – based on historical volatility |
| Expected dividends | A continuous dividend yield of 4,0% |
| 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 |
| – Expected remaining life | Nil |
| – Contractual life | 84 months |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 32. SHARE-BASED PAYMENTS continued
**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 conditions over a three-year period.

| Grant/ exercise price | Estimated weighted average fair value per right | Grant date | Number of rights at 31 Dec 2012 | Rights granted in 2013 | Rights forfeited in 2013 | Number of rights at 31 Dec 2013 | Rights time constrained |
|---|---|---|---|---|---|---|---|
| R11,50 | R4,76 | 24 Jul 2009 | 3 745 014 | | 93 225 | 3 651 789 | |
| R6,91 | R1,91 | 25 May 2011 | 7 403 936 | | 955 670 | 6 448 266 | 6 131 752 |
| R3,60 | R0,81 | 22 Oct 2012 | 2 089 471 | | 218 370 | 1 871 101 | 1 793 156 |
| R4,56 | R1,35 | 25 Feb 2013* | | 2 281 693 | 443 268 | 1 838 425 | 1 838 425 |
| R4,01 | R1,24 | 27 May 2013 | | 4 131 109 | | 4 131 109 | 4 131 109 |
| | | | 13 238 421 | 6 412 802 | 1 710 533 | 17 940 690 | 13 894 442 |

* *On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.*

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 | 2013 awards: R4,56 (February); R4,01 (May)<br>(2012 award: R3,60; 2011 award: R6,91; 2009 award: R11,50) |
| Grant price | The grant price as noted above |
| Risk-free interest rate | 2013 awards: 6,44%<br>(2012 award: 6,38%; 2011 award: 7,98%; 2009 award: 8,73%) |
| Expected volatility | 2013 awards: 42,70% (February); 42,98% (May)<br>(2012 award: 40,33%; 2011 award: 38,09%; 2009 award: 41,80%) |
| Expected dividends | 2013 awards: 4,0%<br>(2012 award: 9,85%; 2011 award: 7,56%; 2009 award: 6,54%) |
| 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 2009 grant. |
| – Market | None |
| – Expected remaining life | 2013 awards: 77 months<br>(2012 award: 70 months; 2011 award: 53 months; 2009 award: 31 months) |
| – Contractual life | 84 months |

## 32. SHARE-BASED PAYMENTS continued

### Employee share incentive schemes continued

**Hulamin Limited Long Term Incentive Scheme 2007 (with performance conditions)**

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

| Grant/ exercise price | Estimated weighted average fair value per award | Grant date | Number of conditional awards at 31 Dec 2012 | Conditional awards granted in 2013 | Conditional awards lapsed/ forfeited in 2013 | Conditional awards exercised in 2013 | Number of conditional awards at 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|---|
| nil | R4,40 | 25 May 2011 | 1 523 291 | | 336 623 | 1 586 | 1 185 082 | 1 185 082 |
| nil | R1,10 | 22 Oct 2012 | 1 808 466 | | 126 627 | | 1 681 839 | 1 681 839 |
| nil | R1,97 | 25 Feb 2013* | | 884 911 | 193 685 | | 691 226 | 691 226 |
| nil | R3,28 | 27 May 2013 | | 2 526 454 | 18 191 | | 2 508 263 | 2 508 263 |
| | | | 3 331 757 | 3 411 365 | 675 126 | 1 586 | 6 066 410 | 6 066 410 |

* *On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.*

The volume-weighted average share price during the year for Hulamin shares was R4,63.

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 | 2013 awards: R4,56 (February); R4,01 (May)<br>(2012 award: R3,60; 2011 award: R6,91) |
| Grant price | The grant price as noted above |
| Risk-free interest rate | 2013 awards: 5,33%<br>(2012 award: 5,19%; 2011 award: 7,05%) |
| Expected volatility | 2013 awards: 45.48% (February); 46,03% (May)<br>(2012 award: 39,11%; 2011 award: 38,24%) |
| Expected dividends | 2013 awards: 4,0%<br>(2012 award: 6,15%; 2011 award: 3,01%) |
| Vesting conditions: | |
| – Time | Three years |
| – Non-market | Return on capital employed (ROCE) |
| – Market | Total shareholders' return (TSR) |
| – Expected remaining life | 2013 award: 29 months (May); 22 months (February)<br>(2012 award: 22 months; 2011 award: 5 months) |
| – Contractual life | 36 months |

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 32. SHARE-BASED PAYMENTS continued

**Employee share incentive schemes** continued

**Hulamin Limited Long Term Incentive Scheme 2007 (without performance conditions)**

Under the Long Term Incentive Plan, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

| Grant/ exercise price | Estimated weighted average fair value per award | Grant date | Number of conditional awards at 31 Dec 2012 | Conditional awards granted in 2013 | Conditional awards exercised in 2013 | Conditional awards lapsed/ forfeited in 2013 | Number of conditional awards at 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|---|
| nil | R2,98 | 22 Oct 2012 | 602 819 | | 10 372 | 52 325 | 540 122 | 540 122 |
| nil | R4,11 | 25 Feb 2013* | | 393 654 | 10 936 | 53 626 | 329 092 | 329 092 |
| nil | R4,11 | 01 Mar 2013 | | 144 996 | | | 144 996 | 144 996 |
| nil | R3,64 | 27 May 2013 | | 840 388 | | 6 106 | 834 282 | 834 282 |
| | | | 602 819 | 1 379 038 | 21 308 | 112 057 | 1 848 492 | 1 848 492 |

* *On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.*

The volume weighted average share price during the year for Hulamin shares was R4,63.

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

| | |
|---|---|
| Share price at grant date | 2013 awards: R4,01 (May); R4,60 (March); R4,56 (February)<br>(2012 award: R3,60) |
| Grant price | The grant price as noted above |
| Risk-free interest rate | 2013 awards: 5,33%<br>(2012 award: 5,19%) |
| Expected volatility | 2013 awards: 46,03% (May); 45,48% (February)<br>(2012 award: 39,11%) |
| Expected dividends | 2013 awards: 4,0% (May); 4,0% (February)<br>(2012 award: 6,15%) |
| Vesting conditions: | |
| – Time | Three years |
| – Non-market | None |
| – Market | None |
| – Expected remaining life | 2013 awards: 29 months (May); 22 months (February)<br>(2012 award: 22 months) |
| – Contractual life | 36 months |

## 32. SHARE-BASED PAYMENTS continued

### 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 match those pledged shares released from escrow.

| Grant/exercise price | Estimated weighted average fair value per award | Grant date | Number of conditional awards at 31 Dec 2012 | Conditional awards granted in 2013 | Conditional awards exercised in 2013 | Number of conditional awards 31 Dec 2013 | Conditional awards time constrained |
|---|---|---|---|---|---|---|---|
| – | R8,51 | 1 Nov 2010 | 32 729 | | 32 729 | – | |
| – | R6,91 | 16 Apr 2012 | 37 649 | | | 37 649 | 37 649 |
| – | R3,73 | 4 Mar 2013 | | 54 220 | | 54 220 | 54 220 |
| | | | 70 378 | 54 220 | 32 729 | 91 869 | 91 869 |

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

| | |
|---|---|
| Share price at grant date | 2013 award: R4,55<br>(2012 award: R7,60; 2010 award: R8,93) |
| 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 |
| – Expected remaining life | 2013 award: 27 months (2012: 16 months) |
| – Contractual life | 36 months |

The Deferred Bonus Shares were purchased by the participating employees on 15 November 2010, 20 April 2012 and 13 March 2013 in terms of the 2010, 2012 and 2013 awards respectively.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
## for the year ended 31 December 2013

### 32. SHARE-BASED PAYMENTS continued
**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 consisted of two components, namely a share appreciation scheme and a share grant scheme. The ESOP scheme consisted of a share appreciation scheme, and participants shared 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 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 were a separate class of restricted shares which, other than for the repurchase terms, ranked *pari passu* with ordinary shares.

Hulamin had 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 repurchased at maturity was to have been calculated such that the market value of the repurchased shares was 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.

The value of the benefits in the MSOP scheme was capped at a level of 10% compounded growth per year.

The MSOP and ESOP schemes matured on 1 August 2012. Accordingly, in terms of the Company's Articles of Association, on 31 July 2012, 12 820 671 unlisted B1, B2 and B3 ordinary shares of ten cents each (including those shares which had been forfeited or had remained unallocated) were acquired by the company from the Trusts and were cancelled immediately.

786 799 B3 ordinary shares held by the MSOP Share Trust were converted into Hulamin ordinary shares of ten cents each in the share capital of Hulamin and were listed on the exchange of the JSE Limited on 1 August 2012. 700 381 of those ordinary shares vested in August 2012 and were transferred to participants. A further 37 392 ordinary shares will vest to the relevant participants on 1 March 2014. The balance of 49 026 ordinary shares, which constitute unallocated or forfeited shares, will remain in the MSOP Share Trust until such time as it is wound up.

**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) Ltd (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 were 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. |

## 33. 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 2013 | 2012 |
|---|---|---|---|
| **Subsidiaries** | | | |
| Hulamin Rolled Products (Pty) Ltd* | South Africa | 100 | 100 |
| Hulamin Systems (Pty) Ltd* | South Africa | 100 | 100 |
| Hulamin Operations (Pty) Ltd | South Africa | 90 | 90 |
| Hulamin Extrusions (Pty) Ltd* | South Africa | 100 | 100 |
| Hulamin North America LLC* | United States of America | 100 | 100 |
| **Associates** | | | |
| Almin Metal Industries Limited ** | Zimbabwe | 49 | 49 |

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

** *Investment held by Hulamin Extrusions (Pty) Ltd.*

All the investments are unlisted.

**Special purpose vehicles**

The following special purpose vehicle has also been consolidated:

– Chaldean Trading 67 (Pty) Ltd.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 34. FINANCIAL RISK MANAGEMENT

### 34.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance, and uses derivative financial instruments to hedge certain risk exposures.

Hedging is carried out by a central treasury department (group treasury) under policies approved by the board of directors, and in close cooperation with the group's operating units.

**Market risk**

**Foreign exchange risk**

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is the 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 lower or higher by R151 000 (2012: higher or lower by R2 623 000) 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 2013 than in 2012, 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 R46 052 000 (2012: R35 301 000). The change in equity is mainly from foreign exchange losses/gains on translation of US Dollar-denominated cash-flow hedging instruments.

**Commodity price risk**

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash and profit, the approach is to hedge approximately 50% of the risk using futures contracts. At 31 December 2013, 47% (2012: 46%) 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 R3 213 000 (2012: higher or lower by R150 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 2013 and 2012. For this reason, profit was no more sensitive to movement in commodity prices in 2013 than in 2012. The above change in aluminium prices would have resulted in equity being lower or higher by R16 643 000 (2012: R13 723 000). The change in equity is mainly from losses/gains on translation of US Dollar-denominated cash-flow hedging instruments.

**Interest rate risk**

The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and it had not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after-tax profit (2012: nil) and no effect on equity (2012: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period end net debt, the interest expense for the year would have been higher or lower by R3 063 000 (2012: R3 715 000).

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

## 34. FINANCIAL RISK MANAGEMENT continued

### 34.1 Financial risk factors continued

**Credit risk**

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with major London Metal Exchange broker companies and with major South African banks.

Hulamin's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 8 to the annual financial statements. The creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based on the specific amount of credit insurance that can be secured for each new customer. The value of all trade receivables covered by insurance is detailed in note 8.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (note 9) and trade and other receivables (note 8).

**Liquidity risk**

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

The group's facility utilisation at the period end was:

| | Note | 2013<br>R'000 | 2012<br>R'000 |
|---|---|---|---|
| Total borrowing facilities | | 1 521 348 | 1 180 000 |
| Less: | | | |
| Non-current borrowings | 12 | – | (556 948) |
| Current borrowings | 16 | (804 482) | (215 131) |
| Add: | | | |
| Bank balances | 10 | 191 907 | 28 984 |
| Committed undrawn facilities | | 908 773 | 436 905 |

The total borrowing facilities include a general short-term facility of R250 million and facilities of R1 200 million that are committed for three years but, as each drawdown against the R1 200 million is repayable within 12 months, are classified as current. The repayment of each drawdown can either be through cash generated within the business or through a new replacement drawdown (a revolving facility). A pension fund loan facility of R71 million also exists.

There are no financial liabilities with contractual maturity dates beyond a year from 31 December 2013. Financial liabilities that had contractual maturity dates beyond a year from 31 December 2012 comprised long-term borrowings. Financial liabilities with maturity dates less than one year comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

# NOTES TO THE GROUP FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 34. FINANCIAL RISK MANAGEMENT continued

### 34.1 Financial risk factors continued

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

| | 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 |
|---|---|---|---|---|---|---|---|
| **2013** | | | | | | | |
| Current borrowings | | 804 482 | | | | | 804 482 |
| Trade and other payables (excluding employee benefit payables) | | 752 024 | | | | | 752 024 |
| Derivative financial liabilities | | 65 357 | | | | | 65 357 |
| | – | 1 621 863 | – | – | – | – | 1 621 863 |
| **2012** | | | | | | | |
| Non-current borrowings | | | 114 749 | 503 774 | | | 738 698 |
| Current borrowings | 143 131 | 120 175 | | | | | 263 306 |
| Trade and other payables (excluding employee benefit payables) | | 647 147 | | | | | 647 147 |
| Derivative financial liabilities | | 49 443 | | | | | 49 443 |
| | 143 131 | 816 765 | 114 749 | 503 774 | – | – | 1 578 419 |

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R841 809 000 (2012: R710 275 000) which are payable within a period of three months, including trade payables in the amount of R641 795 000 (2012: R543 841 000). Trade receivables amounting to R749 508 000 (2012: R704 241 000) are recoverable within a period of three months.

### 34.2 Capital risk management

The group's objectives when managing capital are to maintain the optimum mix of liquidity and low cost of capital and to be able to finance future growth.

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

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

| | Note | 2013 R'000 | 2012 R'000 |
|---|---|---|---|
| Non-current borrowings | 12 | – | 556 948 |
| Current borrowings | 16 | 804 482 | 215 131 |
| Total borrowings | | 804 482 | 772 079 |
| Less: Cash and cash equivalents | 10 | (192 800) | (29 596) |
| Net borrowings | | 611 682 | 742 483 |
| Total equity | | 3 402 810 | 4 747 597 |
| Total capital | | 4 014 492 | 5 490 080 |
| **Gearing ratio (net debt over total capital)** | (%) | 15 | 14 |

# COMPANY BALANCE SHEET
## as at 31 December 2013

| | Notes | 2013 R'000 | Restated 2012 R'000 | Restated 2011 R'000 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Non-current assets** | | | | |
| Investment in subsidiaries | 2 | 3 135 839 | 4 392 923 | 4 348 209 |
| Deferred tax asset | 3 | 19 095 | 18 770 | 18 264 |
| | | 3 154 934 | 4 411 693 | 4 366 473 |
| **Current assets** | | | | |
| Income tax asset | | 146 | 110 | – |
| | | 146 | 110 | – |
| **Total assets** | | 3 155 080 | 4 411 803 | 4 366 473 |
| **EQUITY** | | | | |
| Share capital and share premium | 4 | 1 821 170 | 1 821 058 | 1 822 444 |
| BEE reserve | | 134 686 | 134 686 | 134 686 |
| Employee share-based payment reserve | | 29 720 | 101 099 | 105 750 |
| Retained earnings | | 1 100 953 | 2 287 574 | 2 237 857 |
| **Total equity** | | 3 086 529 | 4 344 417 | 4 300 737 |
| **LIABILITIES** | | | | |
| **Non-current liabilities** | | | | |
| Post-retirement medical aid provision | 5 | 68 169 | 67 008 | 65 227 |
| | | 68 169 | 67 008 | 65 227 |
| **Current liabilities** | | | | |
| Income tax liability | | – | – | 227 |
| Trade and other payables | | 382 | 378 | 282 |
| | | 382 | 378 | 509 |
| **Total liabilities** | | 68 551 | 67 386 | 65 736 |
| **Total equity and liabilities** | | 3 155 080 | 4 411 803 | 4 366 473 |

# COMPANY INCOME STATEMENT

## for the year ended 31 December 2013

| | Notes | 2013<br>R'000 | Restated<br>2012<br>R'000 |
|---|---|---|---|
| Revenue | | 81 667 | 77 421 |
| Administrative expenses | 6 | (8 978) | (8 816) |
| Impairment of investment in subsidiaries | 7 | (1 239 658) | – |
| **Operating (loss)/profit** | | (1 166 969) | 68 605 |
| Taxation | 8 | (18 621) | (19 210) |
| **Net (loss)/profit for the year attributable to equity holders of the company** | | (1 185 590) | 49 395 |

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

## for the year ended 31 December 2013

| | 2013<br>R'000 | Restated<br>2012<br>R'000 |
|---|---|---|
| **Net (loss)/profit for the year attributable to equity holders of the company** | (1 185 590) | 49 395 |
| **Other comprehensive loss for the year** | | |
| Items that will not be reclassified to profit or loss | (1 031) | (960) |
| Remeasurement of post-retirement medical obligation | (1 432) | (1 334) |
| Income tax effect | 401 | 374 |
| **Total comprehensive (loss)/income for the year attributable to equity holders of the company** | (1 186 621) | 48 435 |

# COMPANY STATEMENT OF CHANGES IN EQUITY

## for the year ended 31 December 2013

| | 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 2011 as previously reported | 36 695 | 1 785 749 | 105 750 | 134 686 | 2 249 166 | 4 312 046 |
| Impact of change in accounting policy (note 1.5) | – | – | – | – | (11 309) | (11 309) |
| Restated balance at 31 December 2011 | 36 695 | 1 785 749 | 105 750 | 134 686 | 2 237 857 | 4 300 737 |
| Total comprehensive income for the year | – | – | – | – | 48 435 | 48 435 |
| B ordinary shares repurchased and cancelled (note 4.2) | (1 282) | (129) | – | – | 1 282 | (129) |
| Shares issued (net of B ordinary shares converted) (note 4.2) | 25 | – | – | – | – | 25 |
| Value of employee services of subsidiaries | – | – | (1 878) | – | – | (1 878) |
| Settlement of employee share incentives | – | – | (2 773) | – | – | (2 773) |
| Restated balance at 31 December 2012 | 35 438 | 1 785 620 | 101 099 | 134 686 | 2 287 574 | 4 344 417 |
| Net loss for the year | – | – | – | – | (1 185 590) | (1 185 590) |
| Other total comprehensive loss for the year after tax | – | – | – | – | (1 031) | (1 031) |
| Shares issued | 112 | – | – | – | – | 112 |
| Value of employee services of subsidiaries | – | – | 9 360 | – | – | 9 360 |
| Settlement of employee share incentives | – | – | (2 457) | – | – | (2 457) |
| Transfer of share-based payment reserve to investment in subsidiary | – | – | (78 282) | – | – | (78 282) |
| Balance at 31 December 2013 | 35 550 | 1 785 620 | 29 720 | 134 686 | 1 100 953 | 3 086 529 |

# COMPANY CASH FLOW STATEMENT

## for the year ended 31 December 2013

| | Notes | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Operating (loss)/profit | | (1 166 969) | 68 605 |
| Other comprehensive loss | | (1 432) | (1 334) |
| Changes in working capital | | 4 | 96 |
| Movement in retirement benefit obligation | | 1 161 | 1 781 |
| Impairment of investment in subsidiaries | | 1 239 658 | – |
| Employee share-based costs | | 9 360 | (1 878) |
| Income tax payment | | (18 581) | (19 679) |
| Net cash inflow from operating activities | | 63 201 | 47 591 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Increase in investments in subsidiaries | | (60 856) | (44 714) |
| Net cash outflow from investing activities | | (60 856) | (44 714) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Shares issued (net of B ordinary shares converted) | 4,2 | 112 | 25 |
| Settlement of employee share incentives | | (2 457) | (2 773) |
| Repurchase of B ordinary shares | 4,2 | – | (129) |
| Net cash outflow from financing activities | | (2 345) | (2 877) |
| **Net increase in cash and cash equivalents** | | – | – |
| Cash and cash equivalents at beginning of year | | – | – |
| **Cash and cash equivalents at end of year** | | – | – |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2013

## 1. ACCOUNTING POLICIES

**BASIS OF PREPARATION**

### 1.1 Compliance with International Financial Reporting Standards (IFRS)

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

### 1.2 Underlying concepts

The financial statements are prepared using the historical cost convention and are prepared on the going concern basis.

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

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

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

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

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

### 1.3 Judgements, estimates and assumptions

The accounting estimates and critical judgements applied by the key management of Hulamin Limited are discussed in the group's consolidated financial statements (see note 1.36).

### 1.4 Principal accounting policies

The principal accounting policies applied by the company are the same as those presented in note 1 to the consolidated group financial statements, to the extent that the group's transactions and balances are applicable to the company financial statements. Principally, the accounting policies which are not directly relevant to the company financial statements are those relating to consolidation accounting.

The accounting policies which are either different, or additional, to those applied by the group are stated as follows:

#### 1.4.1 Subsidiaries

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

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

### 1.5 Change in accounting policy

During the current year, the company changed its accounting policy for accounting for actuarial gains and losses on post-retirement defined benefit plans, resulting from the adoption of IAS 19 (Amended) Employee Benefits as discussed in the group's consolidated financial statements (see note 1.1). The most significant impact on the company has been that IAS 19 eliminates the option to defer the recognition of actuarial gains and losses, previously referred to as the corridor approach. Under the amended policy, all actuarial gains and losses are recognised in other comprehensive income in full. The change in accounting policy has been applied retrospectively in accordance with its transitional provisions. Consequently, the company has restated its reported results throughout the comparative periods presented.

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | 2012 R'000 | 2011 R'000 |
|---|---|---|---|
| **1. ACCOUNTING POLICIES** continued | | | |
| **1.5 Change in accounting policy** continued | | | |
| The effects of the application of IAS 19R on the reported results for the years presented are as follows: | | | |
| **Impact on profit/(loss) for the period** | | | |
| Decrease in cost of sales | 3 036 | 2 903 | 2 935 |
| Increase in taxation expense | (850) | (813) | (822) |
| Increase in net profit for the period | 2 186 | 2 090 | 2 113 |
| **Impact on comprehensive income/(loss) for the period** | | | |
| Decrease in remeasurement of retirement benefit obligations | (1 432) | (1 334) | (18 642) |
| Increase in taxation relating to items of other comprehensive income | 401 | 374 | 5 220 |
| Decrease in other comprehensive income for the period | (1 031) | (960) | (13 422) |
| Increase/(decrease) in total comprehensive income for the period | 1 155 | 1 130 | (11 309) |
| **Impact on balance sheet** | | | |
| Increase in retirement benefit obligations | (12 535) | (14 139) | (15 707) |
| Increase in deferred income tax asset | 3 510 | 3 959 | 4 398 |
| Net decrease in net assets | (9 025) | (10 180) | (11 309) |
| **Decrease in retained earnings** | 9 025 | 10 180 | 11 309 |

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **2. INVESTMENT IN SUBSIDIARIES** | | |
| Investment in shares in subsidiaries | 2 437 380 | 3 746 499 |
| – Gross | 3 677 038 | 3 746 499 |
| – Impairment loss (note 7) | (1 239 658) | – |
| Loan to subsidiary | 698 459 | 646 424 |
| | 3 135 839 | 4 392 923 |

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares of Hulamin Operations (Pty) Ltd.

The effective interest rate on the loan to the subsidiary for the year was 11,6%. No fixed repayment terms have been set, and consequently no portion of the loan is considered past due.

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

| | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|
| **3. DEFERRED TAX ASSET** | | |
| At beginning of year | 18 770 | 18 264 |
| Income statement | | |
| Current year credit | (76) | 128 |
| Prior year credit | – | 4 |
| Deferred tax credit on other comprehensive items | 401 | 374 |
| At end of year | 19 095 | 18 770 |
| Deferred income tax asset analysed as follows: | | |
| Post-retirement medical aid provision | 19 088 | 18 763 |
| Other | 7 | 7 |
| | 19 095 | 18 770 |
| Deferred tax asset to be recovered after more than 12 months | 19 088 | 18 763 |
| Deferred tax asset to be recovered within 12 months | 7 | 7 |
| | 19 095 | 18 770 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | 2013 R'000 | 2012 R'000 |
|---|---|---|
| **4. SHARE CAPITAL AND SHARE PREMIUM** | | |
| **4.1 Authorised** | | |
| 800 000 000 ordinary shares of 10 cents each (2012: 800 000 000 ordinary shares of 10 cents each) | 80 000 | 80 000 |
| 45 000 000 A ordinary shares of 10 cents each (2012: 45 000 000 A ordinary shares of 10 cents each) | 4 500 | 4 500 |
| 28 000 000 B ordinary shares of 10 cents each (2012: 28 000 000 B ordinary shares of 10 cents each) | 2 800 | 2 800 |
| **Total authorised share capital** | 87 300 | 87 300 |
| The B ordinary shares consist of 15 000 000 B1 shares, 10 000 000 B2 shares and 3 000 000 B3 shares. | | |
| **4.2 Issued** | | |
| **Ordinary shares** | | |
| Opening balance (318 141 050 ordinary shares of 10 cents each) (2012: 317 108 686 ordinary shares of 10 cents each) | 31 814 | 31 711 |
| Issued during year (1 127 442 ordinary shares of 10 cents each) (2012: 1 032 264 ordinary shares of 10 cents each) | 112 | 103 |
| Closing balance (319 268 492 ordinary shares of 10 cents each) (2012: 318 141 050 ordinary shares of 10 cents each) | 31 926 | 31 814 |
| **A ordinary shares** | | |
| 36 235 470 A ordinary shares of 10 cents each (2012: 36 235 470 A ordinary shares of 10 cents each) | 3 624 | 3 624 |
| **B ordinary shares** | | |
| Opening balance Nil (2012: 13 607 470 B ordinary shares of 10 cents each) | – | 1 360 |
| B ordinary shares repurchased and cancelled Nil (2012: 12 820 671 B ordinary shares of 10 cents each) | – | (1 282) |
| B ordinary shares converted to ordinary shares Nil (2012: 786 799 B ordinary shares of 10 cents each) | – | (78) |
| Total issued share capital | 35 550 | 35 438 |
| **Share premium** | | |
| Opening balance | 1 785 620 | 1 785 749 |
| Premium applied on shares repurchased | – | (129) |
| Closing balance | 1 785 620 | 1 785 620 |
| Share capital and share premium | 1 821 170 | 1 821 058 |

### 4.3 A ordinary shares

The A ordinary shares are unlisted and carry full voting rights. The A ordinary shares have no entitlements to any dividends other than shareholder distributions.

### 4.4 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 31 of the group financial statements.

**Under the control of the directors:**

At 31 December 2013, 7 129 873 unissued ordinary shares (2012: 8 257 315) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **5. 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 | | 68 169 | 67 008 |
| Liability in the balance sheet | | 68 169 | 67 008 |
| **The liability can be reconciled as follows:** | | | |
| Balance at beginning of year | | 67 009 | 65 227 |
| Total expense accrued | | 5 455 | 5 632 |
| Remeasurements: | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | | (271) | 843 |
| Actuarial losses arising from changes in experience adjustments | | 1 703 | 491 |
| Benefit payments | | (5 727) | (5 185) |
| Balance at end of year | | 68 169 | 67 008 |
| **Amounts recognised in the income statement are as follows:** | | | |
| Interest costs | | 5 455 | 5 632 |
| | | 5 455 | 5 632 |
| **Amounts recognised in other comprehensive income are as follows:** | | | |
| Remeasurements: | | | |
| Actuarial (gains)/losses arising from changes in financial assumptions | | (271) | 843 |
| Actuarial losses arising from changes in experience adjustments | | 1 703 | 491 |
| **The principal actuarial long-term assumptions are:** | | | |
| Discount rate | (%) | 8,900 | 8,400 |
| Future medical inflation rate | (%) | 7,750 | 7,400 |
| **Sensitivity of future medical inflation rate** | | | |
| 1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs | | 563 | 541 |
| 1% increase in future medical inflation rate – effect on the obligation | | 6 329 | 6 350 |
| 1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs | | (490) | (467) |
| 1% decrease in future medical inflation rate – effect on the obligation | | (5 503) | (5 505) |
| The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. | | | |
| The average duration of the benefit obligation at 31 December 2013 is 9,3 years (2012: 9,5 years). | | | |
| Estimated benefits payable by the group in the next financial year | | 5 980 | 5 635 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS
## for the year ended 31 December 2013

| | | 2013<br>R'000 | Restated<br>2012<br>R'000 |
|---|---|---|---|
| **6.** | **ADMINISTRATIVE EXPENSES** | | |
| | Post-retirement medical aid costs | 5 455 | 5 260 |
| | Auditors' remuneration (note 6.1) | 137 | 140 |
| | Other costs | 3 386 | 3 416 |
| | | 8 978 | 8 816 |
| **6.1** | **Auditors' remuneration** | | |
| | Audit fees | 130 | 123 |
| | Expenses | 7 | 17 |
| | | 137 | 140 |
| **6.2** | **Directors' emoluments** | | |
| | Non-executives | | |
| | Fees (note 31 of group annual financial statements) | 3 592 | 2 985 |
| | | 3 592 | 2 985 |

## 7. IMPAIRMENT OF INVESTMENT

The company's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period under review. In the circumstances, and as required by IAS 36, management has assessed the recoverable amount of the company's investment in subsidiaries (note 2) at the period end. The recoverable amount was determined to be the value in use and the assessment compared the estimated value in use of the underlying Rolled Products and Extrusions cash-generating units, based on forecast future cash flows, to the carrying amount (refer note 19 of the group financial statements).

The carrying value of the investment in shares in subsidiaries at 31 December 2013 exceeded the recoverable amount by R1 240 million.

The key assumptions employed in the value in use computation are consistent with those used in the group's business plan (which spans five years) approved by the board of directors, except for changes to ensure compliance with a value-in-use methodology as required by IAS 36. The key assumptions employed in the value-in-use computation in respect of the Rolled Products cash-generating unit (and any sensitivities related thereto) are set out in note 19.1 of the group financial statements. There was no impairment of the carrying values of the assets belonging to the Extrusions cash-generating unit.

| | | 2013 R'000 | Restated 2012 R'000 |
|---|---|---|---|
| **8. TAXATION** | | | |
| South African normal taxation: | | | |
| **Current** | | | |
| Current year | | 20 277 | 20 151 |
| Prior year (over)/underprovision | | (1 732) | 4 |
| **Deferred** | | | |
| Current year (note 3) | | 76 | (941) |
| Prior year overprovision (note 3) | | – | (4) |
| | | 18 621 | 19 210 |
| Normal rate of taxation | (%) | 28,0 | 28,0 |
| Adjusted for: | | | |
| Prior year adjustments | (%) | (2,4) | – |
| Effective rate of taxation | (%) | 25,6 | 28,0 |
| **9. RELATED PARTY TRANSACTIONS** | | | |
| During the year the company, in the ordinary course of business, entered into the following related party transactions: | | | |
| Interest received from subsidiary | | 77 317 | 73 934 |
| Loan balance owing by subsidiary (note 2) | | 698 459 | 646 424 |
| Agency fees received from subsidiary | | 75 | 60 |
| Management fees received from subsidiary | | 4 275 | 3 427 |

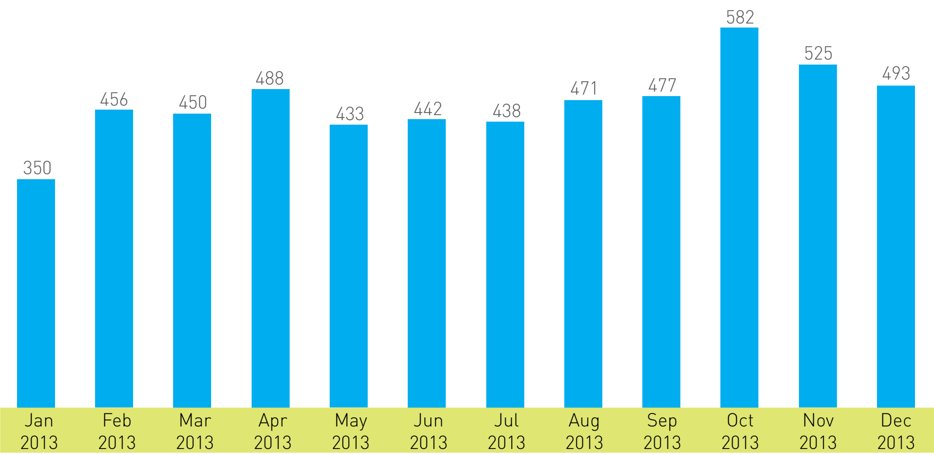
Transactions with non-executive directors are detailed in note 31 of the group annual financial statements.

# ANALYSIS OF ORDINARY SHAREHOLDERS
## as at 31 December 2013

| | Number of ordinary shareholders | Percentage of total | Number of shares | Percentage of issued shares |
|---|---|---|---|---|
| **Size of holdings** | | | | |
| 1 – 1 000 | 2 607 | 51,28 | 711 770 | 0,22 |
| 1 001 – 10 000 | 1 626 | 31,98 | 6 544 356 | 2,05 |
| 10 001 – 100 000 | 623 | 12,25 | 19 818 404 | 6,21 |
| 100 001 – 1 000 000 | 182 | 3,58 | 54 982 899 | 17,22 |
| Over 1 000 000 shares | 46 | 0,91 | 237 211 063 | 74,30 |
| | 5 084 | 100,00 | 319 268 492 | 100,00 |
| **Public/non-public shareholders** | | | | |
| **Non-public shareholders** | | | | |
| Industrial Development Corporation | 1 | 0,02 | 94 587 954 | 29,63 |
| Directors of the company | 6 | 0,12 | 301 935 | 0,09 |
| Hulamin Management Share Ownership Trust | 1 | 0,02 | 86 418 | 0,03 |
| **Total non-public shareholders** | 8 | 0,16 | 94 976 307 | 29,75 |
| **Public shareholders** | 5 076 | 99,84 | 224 292 185 | 70,25 |
| **Total listed shareholders** | 5 084 | 100,00 | 319 268 492 | 100,00 |
| **Beneficial shareholders holding more than 5% of share capital** | | | | |
| Industrial Development Corporation | | | 94 587 954 | 29,63 |
| Coronation Fund Managers | | | 32 041 324 | 10,04 |
| Old Mutual | | | 23 736 728 | 7,43 |
| Investec | | | 17 031 313 | 5,33 |
| **A class ordinary shares** | | | | |
| Chaldean Trading 67 (Pty) Ltd | | | 36 235 470 | 100,00 |

# HULAMIN SHARE PRICE

**HULAMIN VOLUME-WEIGHTED AVERAGE SHARE PRICE BY MONTH** (cents per share)




# SHAREHOLDERS' DIARY

| | | | |
|---|---|---|---|
| **Financial year-end** | | | 31 December |
| **Annual general meeting** | | | April |
| **Reports and profit statements** | Interim results | | July |
| | Annual results and final dividend declaration | | February |
| | Annual financial statements | | March |
| **Dividends** | Interim | Declared | July |
| | | Paid | August |
| | Final | Declared | February |
| | | Paid | March |

# NOTICE OF ANNUAL GENERAL MEETING

## HULAMIN LIMITED

Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the company" or "the group")

Notice is hereby given that the seventy fourth annual general meeting of shareholders will be held at the company's offices, Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal on Thursday, 24 April 2014 at 15:00, to conduct the business set out below and to consider and, if deemed fit, adopt, with or without modification, the ordinary and special resolutions set out in this notice. Note that all special resolutions, in terms of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), require 75% (seventy-five percent) of the votes cast by shareholders present or represented by proxy at this meeting, to be cast in favour of the resolution for it to be adopted and all other resolutions require the support of the majority being more than 50% (fifty percent) of votes cast by shareholders present or represented at this meeting in order for them to be adopted, unless otherwise noted.

**1.** To receive, consider and adopt the annual financial statements of the company for the year ended 31 December 2013, including the reports of the directors, the independent auditors and the Audit Committee contained therein.

**2.** To authorise the directors to reappoint PricewaterhouseCoopers as the independent registered auditors of the company and to re-appoint Mr H Govind as the individual designated auditor who will undertake the audit for the company for the ensuing year.

The group Audit Committee has evaluated the performance of PricewaterhouseCoopers and has recommended their reappointment as independent registered auditors of the company.

**3.** To re-elect the following directors who retire by rotation in accordance with Article 33.11 of the company's Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually.

Mr T P Leeuw
Mr J B Magwaza
Mr M E Mkwanazi
Mr M Z Mkhize

**4.** To re-elect Mr S M G Jennings who was appointed as a non-executive director to the board of the company on 1 July 2013, and who retires in accordance with Article 33.7 of the company's Memorandum of Incorporation and who, being eligible, offers himself for re-election.

The profiles of the directors up for re-election appear in this notice of annual general meeting.

**Thabo Patrick Leeuw** (50)
BCom (Accounting); BCompt (Hons) Management Advancement Programme

*Independent non-executive director*

Chairman of the Audit Committee and member of the Risk and SHE Committee and the Remuneration and Nomination Committee (to the end of December 2013)

Executive director: Thesele Group

Thabo is the executive director and founder shareholder of Thesele. He served articles at Deloitte & Touche, and has held financial management positions in Africa Oil (a subsidiary of Worldwide Africa Investment Holdings), City Deep Cold Storage (a subsidiary of 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) Ltd 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 also appointed a director of Vodacom Life Assurance Company and Vodacom Insurance Company with effect from December 2012. He was appointed to the Hulamin board in 2007.

**Johannes Bhekumuzi Magwaza** (71)
BA (Psychology and Social Anthropology) MA (IR); Dip (IR); Dip (PM)

*Non-executive director*

Member of the Transformation, Social and Ethics Committee and the Remuneration and Nomination Committee

Director of companies

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 Rainbow Chicken, Richards Bay Minerals and Imbewu Capital Partners. He was appointed to the Hulamin board in 2007.

**Mafika Edmund Mkwanazi** (60)
BSc (Mathematics); BSc (Engineering) Management Development Programme; Strategies of Successful Business Management

*Independent non-executive Chairman*

Member of the Remuneration and Nomination Committee and the Risk and SHE Committee

Businessman; Director of companies

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.

**Zamani Moses Mkhize** (52)
Higher Diploma (Electrical Engineering); BCom (Hons)

Member of the Risk and SHE Committee

*Executive director: Manufacturing*

Moses joined Hulamin in July 1982 and 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 SASOL Limited and of a number of subsidiaries of Hulamin.

**Simon Michael Gwyn Jennings** (58)
BA Business Studies (Hons); Human Resources Training Programme

*Independent non-executive director*

Member of the Risk and SHE Committee (effective 1 January 2014)

Simon held various executive positions in the packaging group Rexam PLC in India, Brazil, China, Korea and Europe. He is the founder, director and owner of Nomis Consultancy Limited, an international consultancy to the beverage can and packaging industries based in the Isle of Man. He is also an independent non-executive director of beverage can maker GZI Industries Limited in Nigeria. He was appointed to the Hulamin board in July 2013.

**5.** To elect the following independent non-executive directors as independent members of the group Audit Committee and to appoint Mr T P Leeuw as chairman of the group Audit Committee. Motions for election will be moved individually.

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

The profiles of the directors up for re-election appear in this notice of annual general meeting:

**Lungile Constance Cele** (61)
BCom; Post Grad. Dip Tax; MAcc (Taxation) Executive Leadership Development Programme

*Independent non-executive director*

Chairman of the Transformation, Social and Ethics Committee and member of the Audit Committee
Zee practices as a professional accountant and tax consultant. She serves on the boards of Combined Motor Holdings, Efficient Group Limited, AVBOB, Harith General Partners and Trade and Investment KZN. Zee is a commercial member of the Tax Court and was a member of the Standing Advisory Committee on Company Law until March 2011. She was appointed to the Hulamin board in 2007.

**Nomgando Angelina Matyumza** (51)
BCom; BCompt (Hons); CA (SA); LLB;

*Independent non-executive director*

Chairman of the Remuneration and Nomination Committee and member of the Audit Committee and of the Transformation, Social and Ethics Committee (to the end of December 2013)

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) Ltd, Wilson Bayley Holmes-Ovcon Limited and Cadiz Holdings Limited. She was appointed to the Hulamin board with effect from 1 March 2010.

Note: *Ages quoted for all board members are at 20 February 2014.*

# NOTICE OF ANNUAL GENERAL MEETING continued

## 6. Approval of non-executive directors' fees

Directors' fees were approved at the annual general meeting in 2013 and are applicable for the 12-month period ending 31 July 2014.

The board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2014, be as set out below.

### Special resolution number 1

"Resolved as a special resolution that the proposed fees, set out below, payable to non-executive directors for their services as directors on the board and on board committees and as invitees to board committees, when invited by the chairman of the board committee to attend a meeting as an invitee, for the 12-month period commencing 1 August 2014, be and are hereby approved."

| | Present fees to 31 July 2014 | | Proposed fees from 1 August 2014 | |
|---|---|---|---|---|
| Type of fee in Rand | Retainer per annum | Attendance per meeting | Retainer per annum | Attendance per meeting |
| **Hulamin board** | | | | |
| Chairman | 331 900 | 28 450 | 354 137 | 30 356 |
| Non-executive directors | 121 275 | 10 395 | 129 400 | 11 091 |
| **Audit Committee** | | | | |
| Chairman | 87 281 | 12 469 | 93 129 | 13 304 |
| Non-executive directors – member | 50 715 | 7 245 | 54 113 | 7 730 |
| – invitee | | 7 245 | | 7 730 |
| **Risk and Safety, Health and Environment Committee** | | | | |
| Chairman | 60 270 | 8 610 | 64 308 | 9 187 |
| Non-executive directors – member | 33 075 | 4 725 | 35 291 | 5 042 |
| – invitee | | 4 725 | | 5 042 |
| **Remuneration and Nomination Committee** | | | | |
| Chairman | 60 270 | 8 610 | 64 308 | 9 187 |
| Non-executive directors – member | 33 075 | 4 725 | 35 291 | 5 042 |
| – invitee | | 4 725 | | 5 042 |
| **Transformation, Social and Ethics Committee** | | | | |
| Chairman | 60 270 | 8 610 | 64 308 | 9 187 |
| Non-executive directors – member | 33 075 | 4 725 | 35 291 | 5 042 |
| – invitee | | 4 725 | | 5 042 |
| ***Ad hoc* board committee** | | | | |
| Chairman | 60 270 | 8 610 | 64 308 | 9 187 |
| Non-executive directors – member | 33 075 | 4 725 | 35 291 | 5 042 |
| – invitee | | 4 725 | | 5 042 |
| **Hulamin board – International directors** | Euro | Euro | Euro | Euro |
| Non-executive directors | 29 474 | 2 524 | 29 769 | 2 550 |

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 sub-committees of the board.

Shareholder approval is also requested to remunerate non-executive directors who participate in a specially constituted *ad hoc* board sub-committee as detailed in the table above, and to remunerate non-executive directors who attend a board sub-committee meeting as an invitee at the request of the chairman of the board sub-committee

**7. Financial assistance**

In terms of the Companies Act, the board may authorise the company to provide financial assistance to a related or inter-related company or corporation, provided such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements as set out in the Companies Act are met, amongst others, that the company meets the solvency and liquidity test. The board seeks such approval from shareholders in order to provide financial assistance to the company's subsidiaries from time to time.

**Special resolution number 2**

"Resolved as a special resolution, subject to the provisions of the Companies Act, that the provision of any financial assistance by the company to any company or corporation which is related or inter-related to the company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

**8. Remuneration policy – non-binding advisory vote**

King III recommends that, at each annual general meeting, shareholders consider and endorse, as a non-binding advisory vote, the group's remuneration policy. The principles and key elements of the group's remuneration policy are set out on pages 72 to 73 of the integrated annual report.

The Hulamin Remuneration and Nomination Committee has considered the remuneration policy and recommends that shareholders approve the following resolution:

"Resolved that the Hulamin remuneration policy, set out on pages 72 to 73 of the integrated annual report and which is deemed to be part of the annual general meeting notice, be endorsed."

**9.** Report back from the Transformation, Social and Ethics Committee on social and ethics matters pertaining to the company, which is attached hereto as Annexure A.

**10.** To transact such other business as may be transacted at an annual general meeting.

## Voting and proxies

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company for purposes of being entitled to receive the notice is Friday, 14 March 2014.

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, 17 April 2014. The last day to trade for the purposes of being entitled to attend and vote at the annual general meeting is therefore Thursday, 10 April 2014.

Any shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant (CSDP) and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such shareholder's stead.

Should any shareholder who holds dematerialised ordinary shares in the company and has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such shareholder should timeously inform his CSDP or broker for the purposes of obtaining the necessary letter of representation from such shareholder's CSDP or broker to attend the annual general meeting or timeously provide such shareholder's CSDP or broker with such shareholder's voting instruction in order for the CSDP or broker to vote on such shareholder's behalf at the annual general meeting.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Such proxy form, duly completed, must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, Ground Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107) by no later than 15:00 on Tuesday, 22 April 2014. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement. The completion of a proxy form will not preclude a shareholder from attending the annual general meeting.

Shareholders are encouraged to attend the annual general meeting. All meeting participants (including proxies) will be required to provide identification reasonably satisfactory to the chairman of the meeting. Acceptable forms of identification include valid identity documents, passports and driver's licences.

# NOTICE OF ANNUAL GENERAL MEETING continued

## Electronic participation by shareholders

Should any shareholder (or any proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address below, to be received by the transfer secretaries by no later than 15:00 on Monday, 14 April 2014 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

Willem Fitchat
*Company Secretary*

20 February 2014

**Registered office:** Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal
**Transfer Secretaries:** Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001
(PO Box 61051, Marshalltown, 2107)

# ANNEXURE A

**Transformation, Social and Ethics Committee Feedback Report**

The chairperson of the Transformation, Social and Ethics Committee, Ms L C Cele, advised that the following, *inter alia*, were discussed at the Transformation, Social and Ethics Committee meetings held during 2013.

1. The Terms of Reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act.
2. Reports on stakeholder engagement issues and disputes for 2013.
3. The brief for a social impact assessment study.
4. The progress with employment equity.
5. The results of the external assessors of the JSE Socially Responsible Index.
6. Performance on Management Control, on Enterprise Development and on Preferential Procurement in terms of the BEE Codes.
7. Policy, application and challenges and the way forward relative to skills development, enterprise development and socio-economic development.
8. The potential impact of the Women's Empowerment Bill.

In addition, the committee, whose revised terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the Hulamin Group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to: social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the company.
2. The company complies with the Employment Equity and Black Economic Empowerment Acts, although specific targets have been set for the company to increase its levels of compliance with these Acts over the short to medium term.
3. The company sufficiently complies with its Code of Ethics. The company's Code of Ethics requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

# FORM OF PROXY

**HULAMIN LIMITED**
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the company" or "the group")

HULAMIN

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Instead, they must either provide the CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting themselves, they may request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

Completed forms of proxy must be received at the office of the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by not later than 15:00 on Tuesday, 22 April 2014. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement.

A shareholder entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead. A proxy need not be a shareholder of the company.

I/We (name in block letters)

of (address in block letters)

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 Thursday, 24 April 2014, 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 re-appoint H Govind as the designated auditor | | | |
| 3 | Re-election of directors retiring by rotation: | | | |
| 3.1 | T P Leeuw | | | |
| 3.2 | J B Magwaza | | | |
| 3.3 | M E Mkwanazi | | | |
| 3.4 | M Z Mkhize | | | |
| 4. | Re-election of S M G Jennings as director | | | |
| 5. | Appointment of group Audit Committee members and T P Leeuw as chairman of the group Audit Committee: | | | |
| 5.1 | L C Cele | | | |
| 5.2 | T P Leeuw as chairman | | | |
| 5.3 | N N A Matyumza | | | |
| 6. | Special resolution number 1: Approval of non-executive directors' fees | | | |
| 7. | Special resolution number 2: Provision of financial assistance | | | |
| 8. | Non-binding advisory vote – remuneration policy | | | |

Signed at on this day of 2014

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, 2008, as amended

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

# CORPORATE INFORMATION

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

**Business address and registered office**
Moses Mabhida Road
Pietermaritzburg
3201

**Postal address**
PO Box 74, Pietermaritzburg, 3200

**Contact details**
Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
E-mail: hulamin@hulamin.co.za

**Securities exchange listing**
South Africa (Primary), JSE Limited

**Transfer secretaries**
Computershare Investor Services (Pty) Ltd
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 Stephen Dlamini 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*
S M G Jennings*
V N Khumalo
T P Leeuw*
J B Magwaza
N N A Matyumza*
M E Mkwanazi, Chairman*
S P Ngwenya
P H Staude*
G H M Watson*
**Independent non-executive directors*

**Executive directors**
R G Jacob, Chief Executive Officer
D A Austin, Chief Financial Officer
M Z Mkhize, Manufacturing Director

**Company Secretary**
W Fitchat
E-mail: willem.fitchat@hulamin.co.za

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www.hulamin.co.za