Integrated Annual Report

for the year ended 31 December

2017

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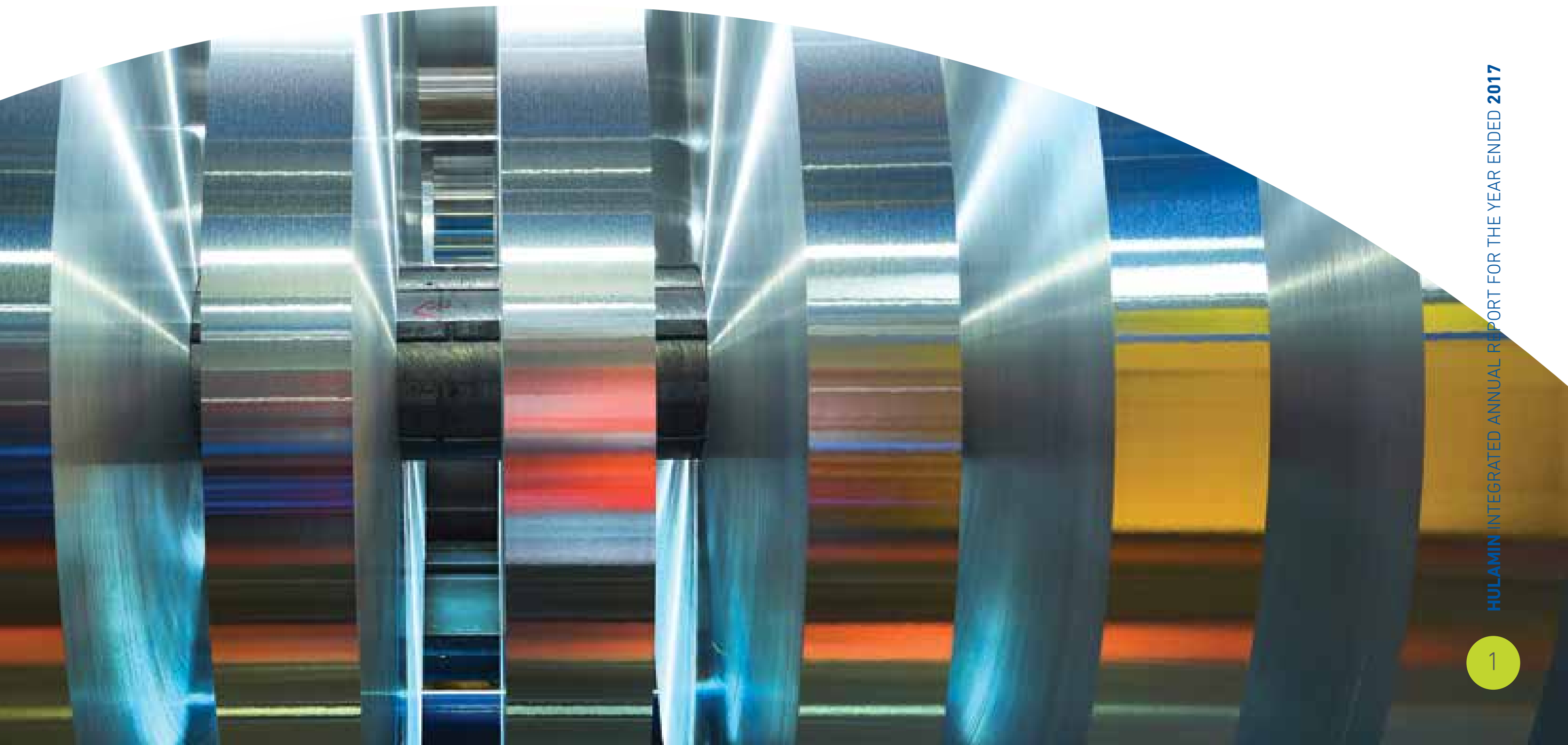


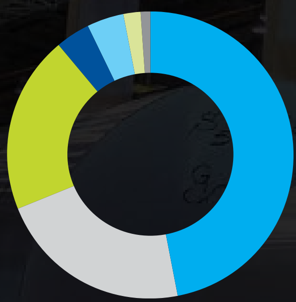
OVERVIEW

47%

Domestic revenue earned

Revenue in the domestic market has increased by 7% largely due to increased sales of can body stock to the local beverage can market.

REVENUE PER REGION



South Africa	47%
Europe	22%
North America	20%
Middle East	4%
Asia	4%
South America	2%
Africa and Australasia	1%


AA1

ABOUT THIS REPORT

REPORTING SCOPE AND BOUNDARY

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

SCOPE

The scope of this report includes Hulamin Limited and its subsidiaries, listed on page 12. The report covers the financial reporting period 1 January 2017 to 31 December 2017.

OUR AUDIENCE

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

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

OUR APPROACH TO MATERIALITY

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

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

Rather than provide a short list of material issues, we have sought to ensure that all information in this report relates to matters that have a material bearing on value creation. Understanding our business (page 10), our business model (page 20) and how Hulamin adds value to aluminium (page 24) lends an appreciation to stakeholders understanding of how our external environment (page 26) impacted performance delivery against our key objectives during the current financial year (page 38) and how the external environment as well as stakeholder needs (page 28) have shaped our key strategic objectives (page 36). Making an informed assessment of our ability to respond appropriately to the external environment and stakeholder requirements requires an appreciation of our strategy and the leadership team contained within the corporate governance section of this report.

ASSURANCE

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

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

MATERIALITY AND COMPARABILITY

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

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

REPORTING FRAMEWORKS

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

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

FORWARD-LOOKING INFORMATION

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

BOARD APPROVAL

The Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and to the best of its knowledge and belief the integrated annual report for 2017 addresses all material issues and presents fairly the integrated performance of Hulamin and its impacts. The report has been prepared in line with best practice and the Board confirms that it has approved the release of the 2017 integrated annual report.

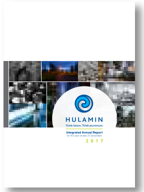
FEEDBACK FROM OUR STAKEHOLDERS

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

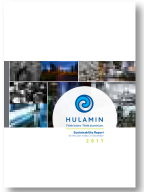
Mafika Mkwanazi
Chairman

Richard Jacob
Chief Executive Officer

OUR 2017 REPORTS



INTEGRATED ANNUAL REPORT



SUSTAINABILITY REPORT

CONTENT AND ASSURANCE PROVIDERS

Annual financial statements – PricewaterhouseCoopers Inc

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

BEE contributor level – Empowerdex

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

INSTITUTE OF DIRECTORS SOUTHERN AFRICA

IFRS®

INTEGRATED REPORTING <IR>

JSE

KEY PERFORMANCE INDICATORS

Financial performance indicators

Normalised earnings
R333 m
(-12%)

Basic HEPS
104 cents
(-13%)

Sales volumes
233 kt
(0,4%)

Free cash flow
R296 m
(-29%)

Dividend of
15 cents
maintained

Debt equity ratio improved to
7%
(from 13%)

Non-financial performance indicators

COST MANAGEMENT

The group continues to focus on cost reduction resulting in improved unit costs.

PRODUCTION

Improved plant performance with strong throughput and consistent yields.

SCRAP RECYCLING

Increased can body stock sales has permitted an increase in the utilisation of market can scrap inputs.

SAFETY

Rise in lost time injuries and one fatality.

ENVIRONMENTAL

Continued improvements in energy and water consumption and carbon emissions.

SALIENT FEATURES

		2017	2016
FINANCIAL PERFORMANCE			
Revenue	R million	**10 160**	10 099
EBITDA[1]	R million	**754**	808
Operating profit	R million	**538**	622
Attributable earnings	R million	**332**	385
Headline earnings per share	cents	**104**	119
Normalised earnings[2]	R million	**333**	380
Return on capital employed[3]	%	**7,8**	9,2
Return on equity[4]	%	**7,7**	9,3
Net borrowings to shareholders' equity[5]	%	**6,8**	13,3
Net asset value per share	cents	**1 455**	1 360
Current ratio[6]		**3,0**	2,9
Free cash flow[7]	R million	**296**	415
Capital expenditure[8]	R million	**261**	328
Sales volumes:			
Hulamin group sales volume	'000 tons	**233**	232
Rolled Products Business Unit sales volume	'000 tons	**215**	214
ECONOMIC INDICATORS			
Average Rand/US Dollar exchange rate		**13,32**	14,73
SHARE STATISTICS			
Total shares in issue	million	**319,6**	319,6
Share price (closing)	cents	**620**	535
Market capitalisation	R billion	**1,9**	1,7
EMPLOYEES AND SAFETY			
Total number of employees		**2 020**	1 932
Employee cost to turnover	%	**11,3**	10,4
Skills development spending	R million	**21,3**	38,8
Lost time injury frequency rate		**0,22**	0,03
Total recordable frequency case rate		**0,58**	0,27
SOCIAL AND TRANSFORMATION			
B-BBEE expenditure	R billion	**2,2**	2,2
CSI spend	R million	**2,1**	2,1
Carbon emissions intensity[9]	MT CO_2e/MT production	**1,68**	1,76
Energy consumption intensity[10]	GJ/MT production	**11,54**	11,68
Water consumption intensity	Kℓ/MT production	**2,49**	2,66

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

2 *Refer to note 2.2 to the group financial statements.*

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

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

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

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

7 *Cash flow before financing activities (after interest, before dividends and equity transactions).*

8 *Before government grant received.*

9 *Using Eskom emission factor.*

10 *Consumption of LPG and electricity.*

FIVE-YEAR REVIEW

	2017 R'000	2016 R'000	2015 R'000	2014 R'000	2013 R'000
INCOME STATEMENT					
Revenue	**10 159 698**	10 099 349	8 394 986	8 038 918	7 560 007
EBITDA[1]	**754 340**	807 514	444 141	659 988	527 209
Operating profit/(loss)	**537 966**	621 514	295 480	585 133	(1 805 371)
Net finance costs	**(77 625)**	(86 696)	(66 492)	(45 707)	(63 357)
Profit/(loss) before tax	**460 341**	534 818	228 988	539 426	(1 868 728)
Taxation	**(128 109)**	(149 885)	(65 274)	(154 498)	523 769
Net profit/(loss) attributable to equity holders of the company	**332 232**	384 933	163 714	384 928	(1 344 959)
Headline earnings attributable to shareholders	**333 039**	379 737	119 261	358 355	183 005
BALANCE SHEET					
Property, plant, equipment and intangibles	**3 388 737**	3 332 586	3 233 717	2 756 925	2 553 218
Retirement benefit asset	**127 054**	117 397	142 292	138 854	161 468
Deferred tax asset	**21 152**	25 463	20 260	25 450	27 815
Current assets	**3 686 594**	3 480 992	3 260 271	3 348 149	2 987 371
Total assets	**7 230 066**	6 956 438	6 656 540	6 269 378	5 729 872
Equity holders' interest	**4 648 677**	4 346 688	3 854 517	3 833 817	3 402 810
Borrowings: non-current and current	**428 699**	652 444	1 045 401	686 144	804 482
Deferred tax liability	**578 568**	516 533	486 765	477 702	405 311
Retirement benefit obligations	**266 767**	258 879	227 997	236 369	225 826
Current liabilities (excluding current borrowings)	**1 307 355**	1 181 894	1 041 860	1 035 346	891 443
Total equity and liabilities	**7 230 066**	6 956 438	6 656 540	6 269 378	5 729 872
CASH FLOW					
Net cash inflow from operating activities	**557 166**	679 028	123 775	518 046	282 958
Net cash flow from investing activities	**(261 034)**	(263 679)	(543 329)	(335 358)	(147 666)
Free cash flow[2]	**296 132**	415 349	(419 554)	182 688	135 292
Net cash inflow/(outflow) from financing activities	**(287 405)**	(405 393)	233 401	(124 724)	27 912
Net cash increase/(decrease) for the year	**8 727**	9 956	(186 153)	57 964	163 204

DEFINITIONS

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

2 *Cash flow before financing activities (after interest, before dividends and equity transactions).*

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

4 *Net profit after tax (excluding impairment of property, plant and equipment and intangible assets) expressed as a percentage of average capital employed.*

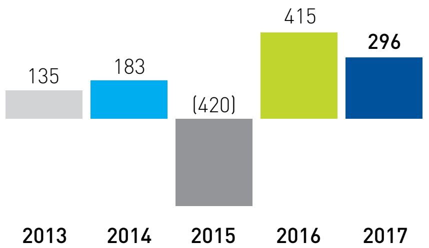
5 *Headline earnings expressed as a percentage of average equity.*

6 *Current and non-current borrowings less cash divided by total equity.*

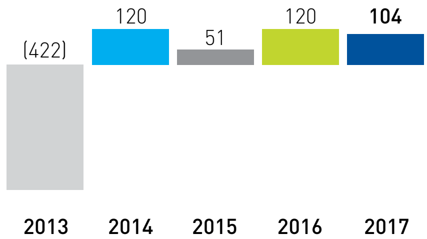
7 *Current assets divided by current liabilities (excluding borrowings).*

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

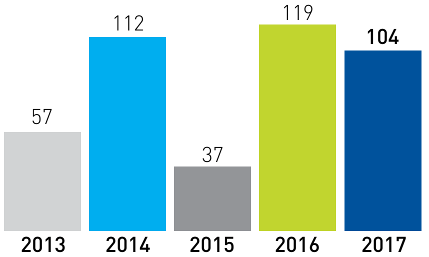
Free cash flow[2] (R'000)



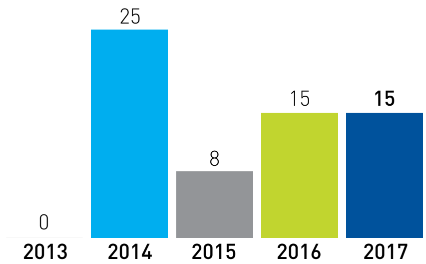
Earnings per share (cents)



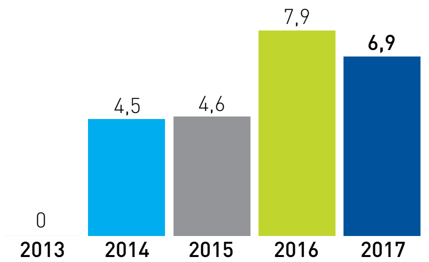
Headline earnings per share (cents)



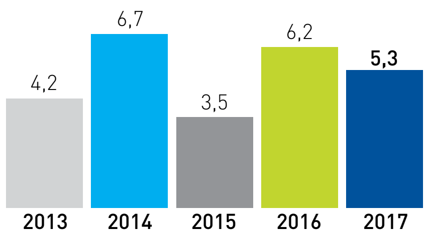
Dividends per share* (cents)



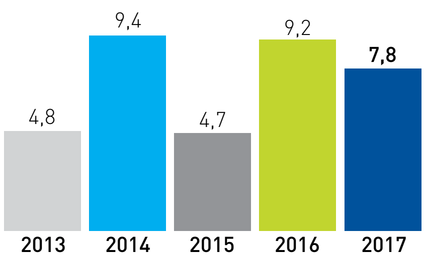
Dividend cover* (cents)



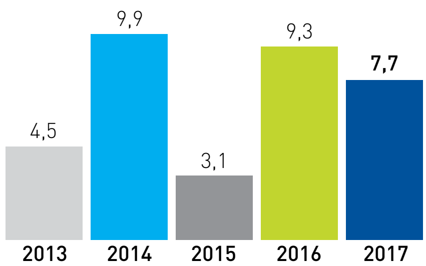
Operating margin[3] (%)



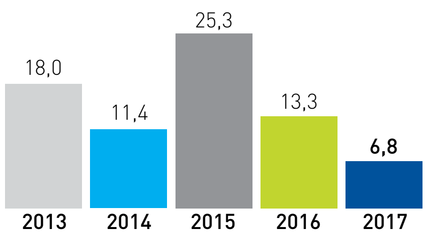
Return on capital employed[4] (%)



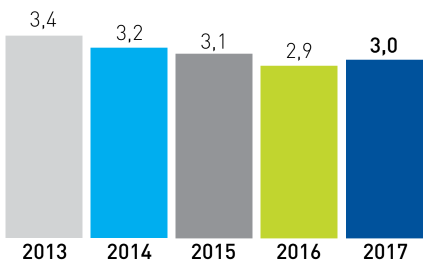
Return on equity attributable to shareholders[5] (%)



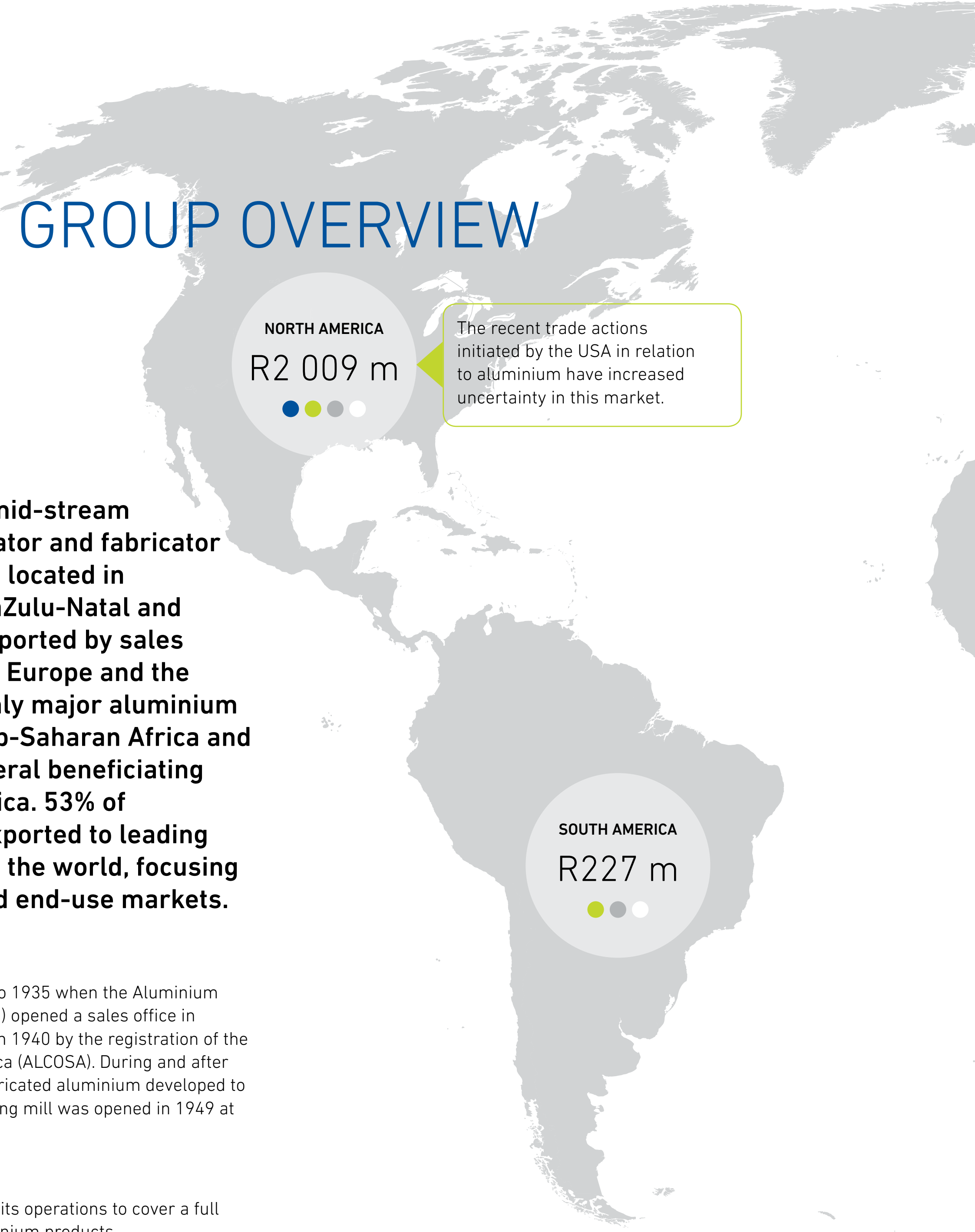
Net debt to equity[6] (%)



Current ratio[7]



HULAMIN GROUP OVERVIEW



Hulamin is a leading, mid-stream aluminium semifabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal and Midrand, Gauteng, supported by sales offices in South Africa, Europe and the USA. Hulamin is the only major aluminium rolling operation in sub-Saharan Africa and one of the largest mineral beneficiating exporters in South Africa. 53% of Hulamin's sales are exported to leading manufacturers around the world, focusing on specific product and end-use markets.

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

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

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

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

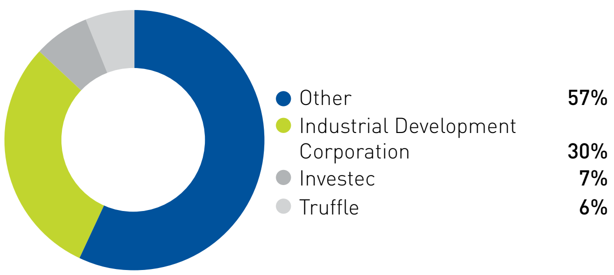
In 2007, Hulamin unbundled from Tongaat Hulett Limited and listed on the main board of the JSE in the Aluminium sub-sector of the Industrial Metals and Mining sector.

WHAT

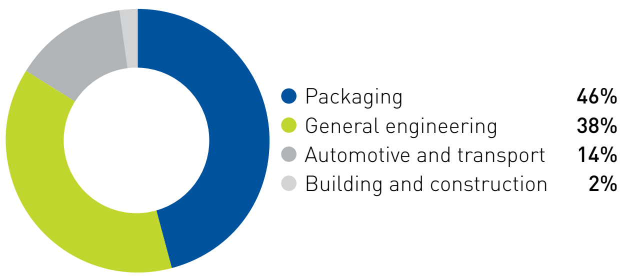
Hulamin transforms primary aluminium into two types of semi-fabricated products: rolled products and extruded products. Our products are used by downstream fabricators in a variety of industries, namely:

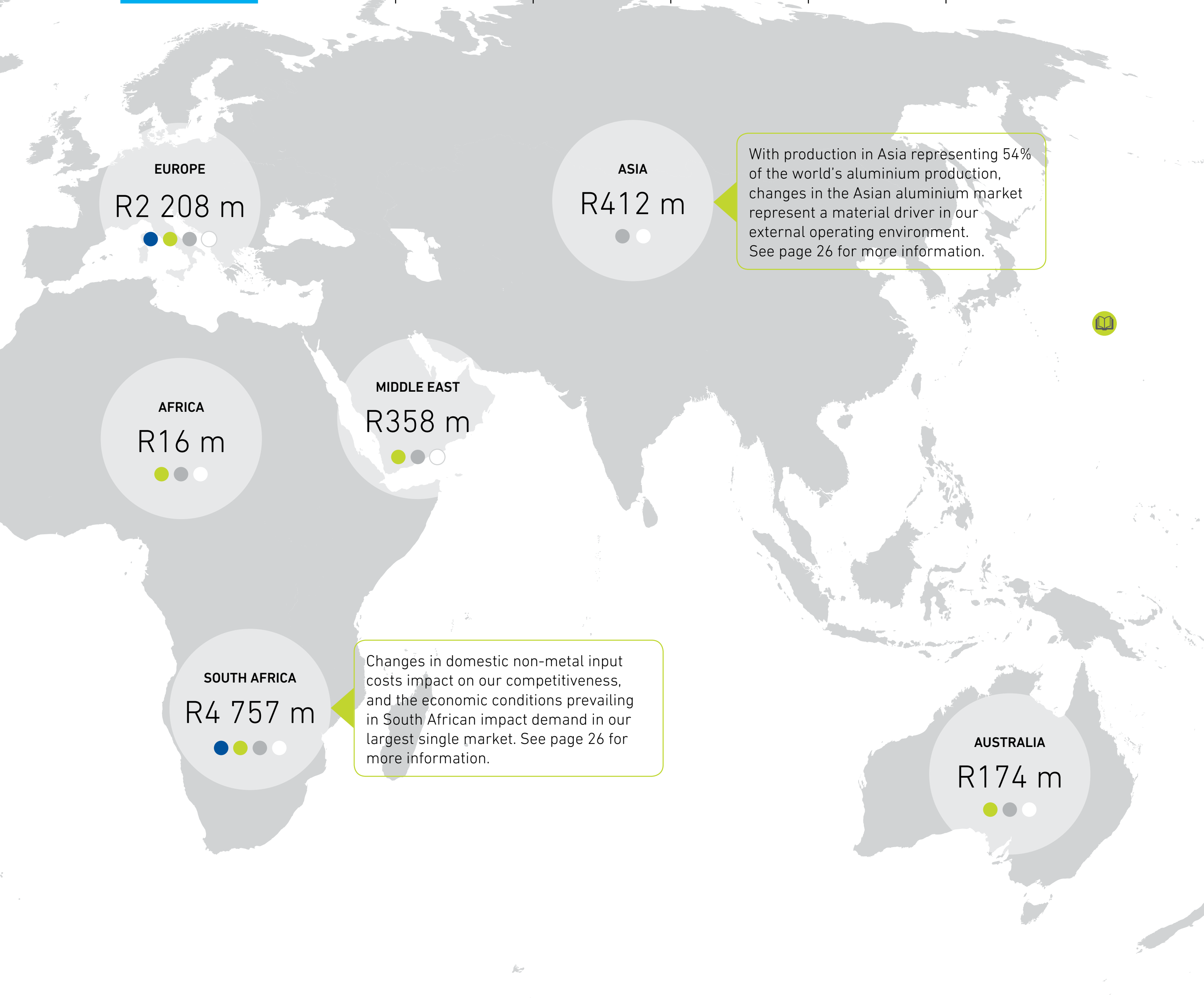
- AUTOMOTIVE AND TRANSPORT
- BUILDING AND CONSTRUCTION
- GENERAL ENGINEERING
- PACKAGING

Ordinary shareholders at 31 December 2017



Revenue per industry



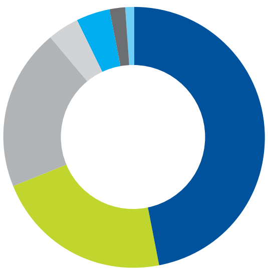


WHERE

Our Rolled Products segment (which includes the Containers business unit) is primarily an export business (in excess of 55%), due to the current small size of the local aluminium downstream industry relative to the capacity of our plant, which has the necessary scale to be globally competitive.

Our Extrusions segment is a supplier to the domestic market.

Revenue per region



South Africa	47%
Europe	22%
North America	20%
Middle East	4%
Asia	4%
South America	2%
Other	1%

Hulamin is committed to the growth of the Southern African aluminium industry and to making a meaningful contribution to sustainable development in Southern Africa.

For more information on our vision see page 30 of this report.

PRIMARY OPERATING SEGMENTS

Hulamin Rolled Products, Hulamin Containers and Isizinda Aluminium together form the Rolled Products operating division which forms the Rolled Products reportable segment, responsible for semi-fabrication and fabrication of rolled aluminium products. Hulamin Extrusions comprises the Extrusions operating division and reportable segment, responsible for the semi-fabrication of extruded aluminium products. Financial information relating to our reportable segments is detailed on page 121 of this report.

HULAMIN

Think future. Think aluminium.

HULAMIN OPERATIONS (PTY) LTD

100%

BINGELELA CAPITAL (PTY) LTD 58,7%

ISIZINDA ESOP TRUST 2,6%

HULAMIN ROLLED PRODUCTS, A DIVISION OF HULAMIN OPERATIONS

PRINCIPAL ACTIVITIES

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

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

KEY MARKETS

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

KEY STRATEGIC FOCUS AREAS

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

HULAMIN CONTAINERS, A DIVISION OF HULAMIN OPERATIONS

PRINCIPAL ACTIVITIES

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

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

KEY MARKETS

Hulamin Containers supplies the local packaging and container market.

KEY STRATEGIC FOCUS AREAS

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

100%

HULAMIN EXTRUSIONS (PTY) LTD

PRINCIPAL ACTIVITIES

With two plants, one in Midrand, Gauteng, and one in Pietermaritzburg, KwaZulu-Natal, Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

KEY MARKETS

Hulamin Extrusions supplies the local engineering and architectural markets.

KEY STRATEGIC FOCUS AREAS

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

38,7%

ISIZINDA ALUMINIUM (PTY) LTD

PRINCIPAL ACTIVITIES

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

KEY STRATEGIC FOCUS AREAS

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

THE HISTORY OF ALUMINIUM

1886 Charles Hall and Paul Herlout separately and simultaneously develop an inexpensive electrolysis process by which aluminium can be extracted from aluminium oxide.

1887 Karl Josef Bayer develops a chemical process by which aluminium can be extracted from bauxite, a widespread and naturally occurring aluminium ore.

1903 Wright brothers make use of aluminium engines to power their first biplane.

1910 Aluminium foil enters the market.

1939 World War II sees aluminium as a strategic metal with primary uses in the construction of aircrafts, ship infrastructure, radar chaff and mess kits.
The war also saw the introduction of aluminium recycling in the form of 'Tin Foil drives' offering free moving tickets in exchange for aluminium foil balls.

1950 Iconic white aluminium washer and dryer introduced to the market.

1959 Coors Brewing popularised the two-piece aluminium can with pop-top lid.

1980 Space shuttles launched with aluminium oxide rocket boosters.

Current Steve Jobs recognised both the beauty and strength of aluminium, creating a thin, light product line of laptops, tablets and cellphones.

Future As the world of technology and automation takes strides in becoming an ever greater reality the use for aluminium grows in products such as aluminium-air batteries, nanotechnology and advanced alloys for space-vehicles.

HULAMIN HIGHLIGHTS 2017

215 000 tons RECORD PRODUCTION AND SALES IN ROLLED PRODUCTS

LOCAL CAN BODY STOCK SALES UP **63%**

CONTINUED SUPPLY TO ELECTRIC VEHICLE MARKET AND DEVELOPMENT OF NEW NICHE PRODUCT MARKETS

USED BEVERAGE CAN CLEANING LINE COMMISSIONED

RECYCLED MATERIAL CONTENT INCREASED TO **11%** OF TOTAL METAL INPUT

2 000 EMPLOYEES COMMITTED TO GROWING HULAMIN IN ACCORDANCE WITH ITS VISION

CHAIRMAN'S LETTER

In 2014, Hulamin celebrated 75 years of economic, social, environmental and financial contribution in Southern Africa. As a technology intensive manufacturing exporter that is committed to development and economic empowerment, Hulamin has made unusual progress in meeting the needs of a broad range of stakeholders. This momentum continued in 2017.

Hulamin extended its high levels of operational performance in 2017. This consistently high level of performance formed the basis for its ability to play an important role in the regional economy, its community, the environment and society at large.

In the year under review, the context in which Hulamin operates went through significant upheaval and change. The year started with the South African economy low on confidence, unstable relations between business and government led to low levels of investment in the economy, and perceived high-risk premiums were applied to the already high cost of capital. As the ANC's elective conference drew nearer, uncertainty in the economy and fears that worst-case scenarios of an anti-business stance would emerge from Government resulted in a weakening of the Rand against the US Dollar and most of Hulamin's trading currencies. This softer currency benefited Hulamin in that we continue to trade largely in US Dollars. As the results of the ANC conference emerged, confidence in a stronger emphasis on growing the economy emerged and the Rand firmed by approximately 20%.

As 2018 begins, Hulamin will face financial challenges resulting from the stronger currency. Management has anticipated these conditions and the Board looks forward to further cost reductions and US Dollar margin improvements to counter the effects of lower Rand revenues.

STRATEGIC PROCESS TO IMPROVE VALUE CREATED FOR STAKEHOLDERS

The Board's mandate is to provide strategic leadership to management, and to provide oversight on any changes to Hulamin's strategic direction that are proposed by management. To this end, we have been engaged in an ongoing process to identify improvements to the Hulamin business model. In 2016 this process began with a feasibility presented by management for a major capital investment to supply aluminium sheet for the local automotive industry. Unfortunately the study showed that the required return levels for the implied risk and capital investment could not be achieved. However, the Board has encouraged management to continue with this momentum to seek improvements to the value created by Hulamin for all its stakeholders. We plan to communicate with stakeholders further on this topic in 2018.

TRANSFORMATION

The Board continues to place great value on the transformational role that Hulamin needs to play in normalising South African society and creating opportunities for participation in the economy for those previously excluded. To this end, the Board approved Hulamin's Transformation Plan in 2016. This Plan sets ambitious targets for the company over the coming five years.

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

We are pleased that the company scored well (to qualify for a level 5) in the revised B-BBEE codes as published by the Department of Trade and Industry in 2015, in the 2017 assessment. In these revised codes, a heavy emphasis is placed on Preferential Procurement. To this end, companies are penalised should they not procure sufficiently from empowered companies. In Hulamin's case, we were unfortunately penalised by one level to a level 6 in 2017, due to the poor scorecard achieved by our majority supplier, South 32. In Hulamin's case, more than 50% of our total expenditure is on primary aluminium sourced from the Hillside Smelter that is insufficiently empowered to prevent Hulamin being penalised one level in its scorecard.

ALUMINIUM SUPPLY

Hulamin continues to play a vital linking role in the Southern African aluminium supply chain, sourcing from both the Hillside and Mozal aluminium smelters. The contribution of the aluminium industry to the regional economy is built on the certainty of primary aluminium supply from Hillside (and Mozal). A new long-term power supply contract is critical to ensure certainty and investment in the aluminium industry. The Board therefore encourages South 32 and Eskom (and its mandator, NERSA) to reach agreement to secure future long-term supply of electricity as soon as possible. In its absence, there is serious risk to the sustainability of the industry. The Board will continue to give guidance to management in this regard.

SAFETY

In 2017 Hulamin brought in a team of international safety auditors to assess safety performance and systems throughout all operational areas. Although a number of areas for improvement were identified (largely in identifying the root causes of incidents that do occur), no major concerns were raised.

Safety levels achieved in 2017 (TRCFR was 0,61) were not as good as those achieved in 2016 (0,27).

Although we maintained our improved safety incident frequency rates, on Monday, 6 November 2017, Michael Gumede, a contractor working on repairing the Foil Mill roof on our Edendale site, fell to his death. We have all felt a huge sense of loss as a result of this most unfortunate incident. Following a thorough root cause investigation, we have taken a number of strong actions to reduce the likelihood of this unfortunate incident happening again.

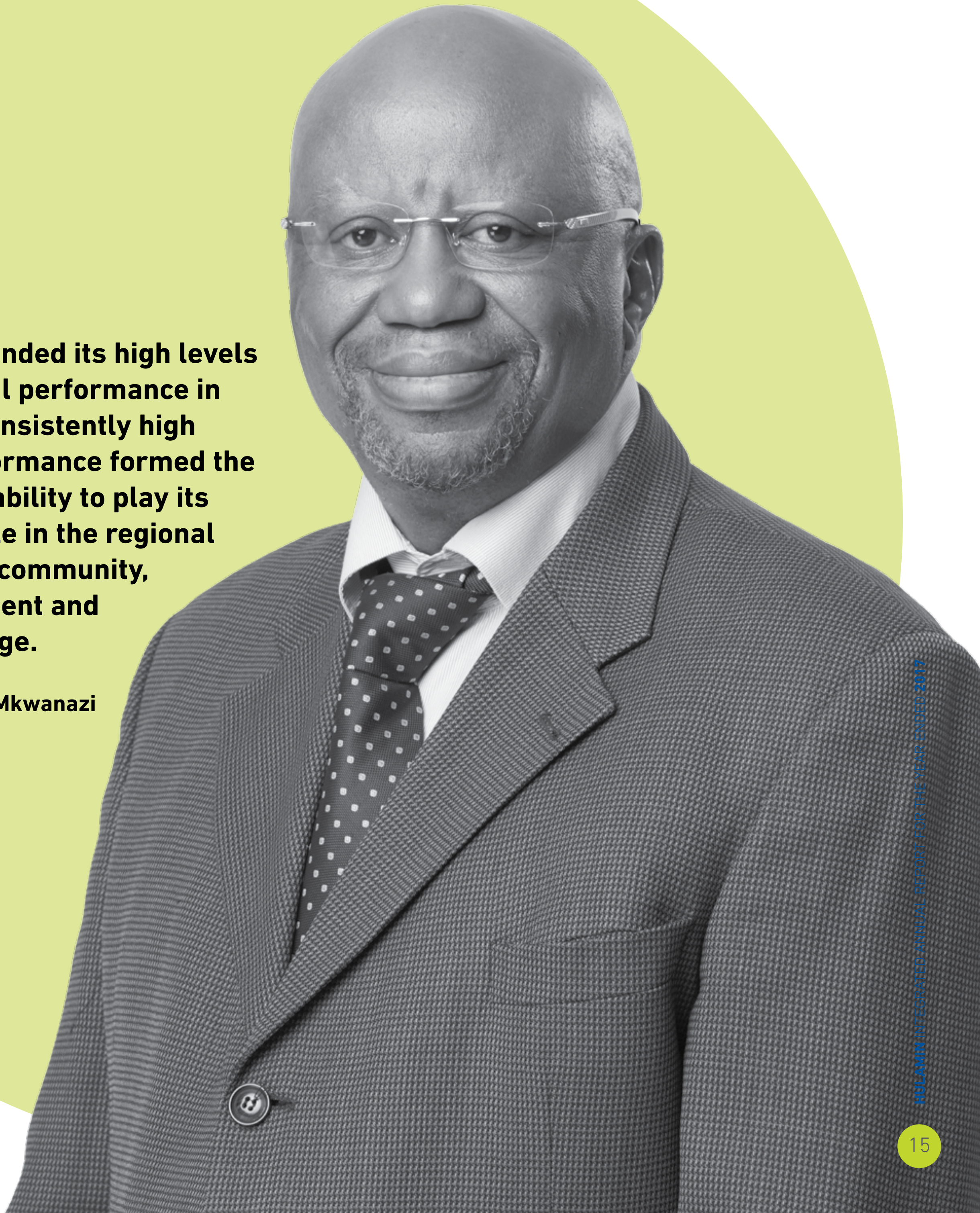
RETIREMENT AND SUCCESSION

The Board places great value on the development, growth and succession of Board members and management. The Board is satisfied that we have a strong executive team, well-resourced to run the business over the coming years.

After 10 years as your Chairman, the time has come for me to retire and to introduce new leadership to be your chairman. I am delighted that Thabo Leeuw, who has also served on the Board for 10 years, most recently as Chairman of the Audit Committee, has agreed to make himself available for selection as Board Chairman. After careful consideration, including a review of his independence, the Board wishes to propose Thabo as the next Hulamin Chairman. I look forward to seeing the outcome of the shareholder vote required to ratify his appointment in April 2018.

CONCLUSION AND OUTLOOK

The Board is pleased with the ongoing high operational performance level achieved in 2017. With its focus on sustainable performance, transformation and strategic execution, Hulamin is well placed to make major improvements to the value it creates for stakeholder into the future. The Board looks forward to an exciting future for Hulamin, where the business exceeds the reasonable expectations of all its stakeholders.

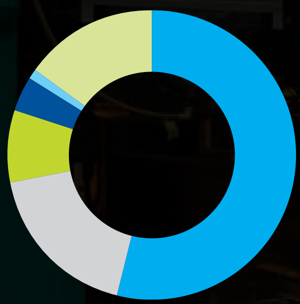


Hulamin extended its high levels of operational performance in 2017. This consistently high level of performance formed the basis for its ability to play its important role in the regional economy, its community, the environment and society at large.

Mafika Edmund Mkwanazi
Chairman

THE BUSINESS IN CONTEXT

54%



ALUMINIUM PRODUCTION

China	54%
Asia	18%
North and South America	8%
Europe	4%
South Africa	1%
Other	15%

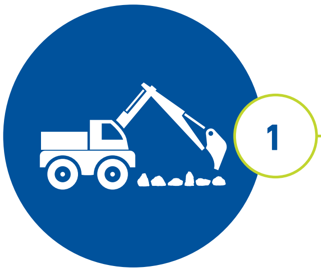
The production of aluminium by China in relation to world production

China has a material impact on Hulamin's business context.


W.L.L. 2000 KG
RPLM-57
W.L.L. 2000 KG
RPLM-58
RPLM 395
SWL 2000 KG

THE ALUMINIUM VALUE CHAIN

PRIMARY ALUMINIUM PRODUCTION



BAUXITE MINING AND ALUMINA PRODUCTION

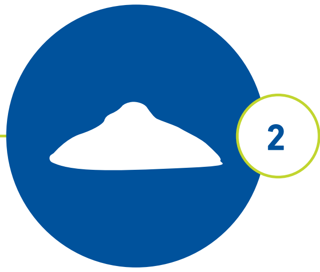
BAUXITE MINING

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

ALUMINA PRODUCTION

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

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

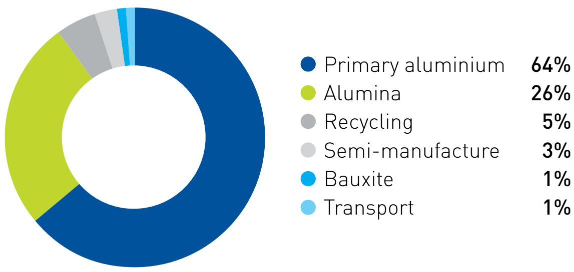


PRIMARY ALUMINIUM PRODUCTION

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

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

CO_2 Emissions in the production of aluminium process



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

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

SECONDARY ALUMINIUM PRODUCTION

3

4

CASTING OF ALUMINIUM VALUE-ADDED PRODUCTS

ALUMINIUM CASTING

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

BILLET

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

SLAB

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

SEMI-FABRICATION OF ALUMINIUM

EXTRUDING

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

ROLLING

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

FOUNDRY CASTING

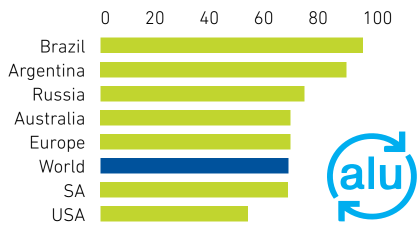
The properties of aluminium change when small quantities of other metals are added to produce aluminium alloys. These can give greater strength, brilliance, corrosion resistance and ductility, making aluminium easier to form into an endless variety of products.

6

RECYCLING

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

Proportion of recycled aluminium to total consumption



5

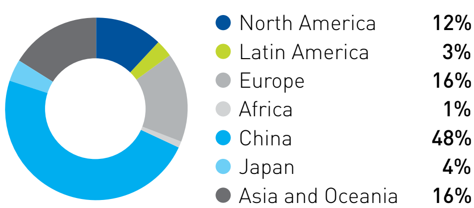
MANUFACTURING AND USE

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

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

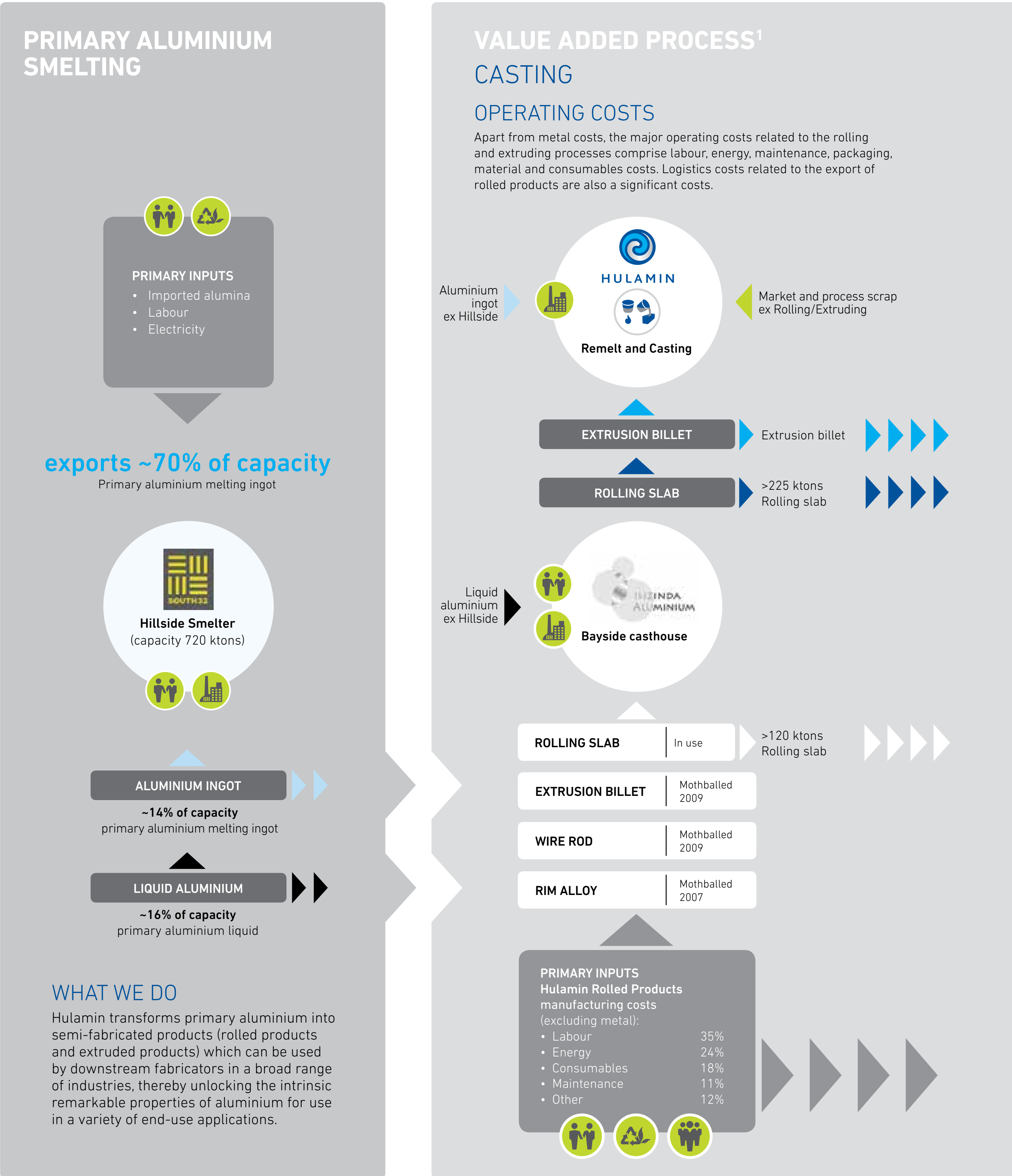
Developing countries are expanding their infrastructure and food production to satisfy the needs of a growing population that is migrating to large cities. Consequently, the packaging and construction sectors are one of the biggest consumers of aluminium within developing countries.

Global consumption of aluminium products



Hulamin's position in the value chain.

THE HULAMIN BUSINESS MODEL



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.

[1] See page 24 for further information on how we add value to aluminium.

Aluminium ingot | Liquid aluminium | Rolling slab ex Isizinda

VALUE ADDED PROCESS[1]
ROLLING AND EXTRUDING

CONSUMER AND CUSTOMER SCRAP

SCRAP RECYCLING
Hulamin recycling of customer, consumer and process scrap

IMPORTATION OF EXTRUSION BILLET

Billet ex Hulamin casthouse

HULAMIN EXTRUSIONS
(18 ktons)

Process scrap

Rolling slab ex Hulamin

Rolling slab ex Isizinda

HULAMIN ROLLED PRODUCTS
(215 ktons)

Process scrap

Scrap for recycling

Rolling slab ex Hulamin casthouse

Extrusion billet

FABRICATORS AND END INDUSTRIES

IMPORTATION OF FINISHED PRODUCTS

Body panels
Door frames
Car chassis
Beverage cans
Rail structures
Cladding and guttering
TVs
Tankers and hulls
Telecommunication towers
Lids
Marine structures
Roofing
Cables
Interior fitments

EXTRUSIONS

COIL

SHEET

PLATE

PRODUCT MARKETS	HULAMIN REVENUE BY PRODUCT MARKET
Packaging	46%
General engineering	38%
Automotive and transport	14%
Building and construction	2%

KEY RESOURCES HULAMIN RELIES ON

CAPITAL	INPUTS INTO OUR BUSINESS MODEL
FINANCIAL The pool of funds which support business operations. See page 66 for further information.	The group requires funding for day-to-day activities incorporated in its business model which allows it to generate value for all stakeholders. Funding is received from: **Investors:** The group's largest investor is the Industrial Development Corporation representing 29,6% of all investors. Investors require returns on investment in the form of a growing share price (through a sustainable profitable business) and dividends. **Finance houses:** The group has secured a three-year borrowing facility of R1,65 billion which includes a general 360-day facility of R350 million and a revolving working capital facility of R1,3 billion secured against receivables and inventory. The group secured a term facility (R270 million) to fund the investment in Hulamin's recycling facility. Finance houses provide this capital in exchange for interest on the amount invested.
MANUFACTURED Our material goods infrastructure owned, leased or controlled by the group that contributed to our production capabilities. See page 60 for further information.	**PRIMARY ALUMINIUM** The group makes use of primary aluminium as part of its remelt and casting operations which produce rolling slab and extrusion billet required for the manufacture of fabricated and semi-fabricated aluminium products. Through a liquid metal supply agreement the group has secured the supply of liquid metal from South 32's Hillside Aluminium Smelter until December 2019. **Bayside casting facility** The Bayside cast house owned by Isizinda is operationally controlled by Hulamin and produces one-third of Hulamin's requirements of rolling slab for the rolling operations. **Remelt and Casting** Hulamin owns three slab production lines, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace. **Rolling** The rolling operations consist of hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tensioning levelling and foil finishing facilities. The plate plant is equipped with sawing, stretching and plate cut-to-length lines. **Extrusions** Two extrusions plants which include the ability to manufacture dies used in the extrusions press to produce the desired profile. Finishing options include powder coating, anodising and fabrication.
HUMAN The expertise and skills employed by our people in delivering the group's vision. See page 56 for further information.	The Hulamin Group employs over 2 000 employees across its various business units. The state-of-the-art technical equipment employed in the group's business model requires key engineering, metallurgical and manufacturing experience and key competencies and capabilities.
NATURAL The world's stock of natural resources such as geology, soil, air, water and all living things. See page 64 for further information.	**Local aluminium smelters** The group relies on the Hillside smelter to produce primary aluminium. The Hillside smelter is highly energy and carbon intensive. **Rolling** As part of the manufacturing operations the group relies on the use of water, gas and electricity.
SOCIAL, RELATIONSHIP AND INTELLECTUAL Our relationship with communities, stakeholders and other networks promoting innovative thinking. See page 54 for further information.	The group leverages its relationships within the community in which it operates, with its suppliers and its customers to create value for all stakeholders. **Government** Government provides support to the aluminum industry through incentives and assistance with the downstream development of the aluminium value chain. **Suppliers** Strong relationships with suppliers ensures that the group is able to secure the long-term supply of key inputs into the manufacturing process. **Customers and markets** Relationships with customers are key in developing new products and innovation to suit customer needs and expectations. Our customer relationships also provide us with the leverage require to profitably sell our finished products.

TRANSFORMATION OF CAPITALS

LINK TO STRATEGIC OBJECTIVES

Equity
Equity provider's book value R4,7 billion with a current market value of R1,9 billion. This indicator of impairment has been assessed on page 134 of the report.

Retained earnings for the current year have increased by R291 million.

Dividends declared per share of 15 cents.

Borrowings
Net debt: **R317 million**
Net interest cost: **R78 million**

Cash generation
Net cash inflows from operating activities for the year ended 31 December 2017: **R557 million**

Free cash flow generation: **R296 million**

1 Lower cost base and operational efficiencies improves returns for shareholders and increases cover ratios for the providers of funding.

2 Achieving higher rolling margins improves return for shareholders and increases ratios for the providers of funding.

3 Short-term trade-offs to invest in the assets of tomorrow to generate sustainable future returns.

Our manufactured capital is subjected to wear-and-tear as finished goods are produced for sale to our customers to their quality specifications. The group invests in asset management and maintenance programmes and during the period conducted an integrated plant shut in accordance with these programmes.

Integrated shut (12 days)
During the integrated shut the group's project engineers and maintenance teams, together with external service providers, performed major maintenance on certain areas of the plant.

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

Key salient features:

Production
Rolled Products: **215 000 tons**
Extrusions: **18 000 tons**

Additions
Rolled Products: **R212 million**
Extrusions: **R49 million**

Repairs and maintenance
Total: **R282 million**

Depreciation
Rolled Products: **R190 million**
Extrusions: **R26 million**

1 Improved asset risk management systems and maintenance programmes result in improved manufacturing performance and product quality.

2 Asset enhancements to deliver products to niche markets and provide value to our customers.

3 Investment in new assets and capabilities to support our growth ambitions.

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

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

During the current financial year the group has shared R1,1 billion in value with employees through guaranteed and variable remuneration structures.

1 Invest in Human capital through training and development to improve central co-ordination and strategic accountability to drive decision-making.

2 Develop capabilities to grow new markets and consolidate existing market positions into defendable niche positions.

3 Create new skills and competencies to interact with the assets of tomorrow.

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

	Carbon footprint (tons CO_2e)	Electricity consumption (KWh)	LPG consumption (GJ)	Water consumption (Kℓ)
2015	1,93	1 393	7,52	3,32
2016	1,76	1 267	6,99	2,66
2017	**1,68**	**1 228**	**6,56**	**2,46**

1 Minimise impact on natural capital.

2 Increased benefits from scrap recycling reduce reliance on natural inputs in our business model.

3 New assets and capabilities create efficiencies which reduce reliance on natural capitals.

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

1 Enhance customer relationship by focussing on quality and on-time delivery.

2 Develop new and leverage off existing networks to establish niche markets.

3 Leverage government relationships to grow the local beneficiation of primary aluminium into a range of value added products.

Our strategic objectives are further detailed on page 36

1 *Strengthen the core (of the business) to compete*
2 *Increase rolling margins*
3 *Investing in the assets of tomorrow*

ADDING VALUE TO ALUMINIUM

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

HOW WE ADD VALUE TO PRIMARY ALUMINIUM

REMELT AND CASTING

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 to our customers' specifications.

ROLLING AND FINISHING

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.

ADDING VALUE

Rolling
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.

EXTRUDING

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

Anodising
An electrochemical process where the thickness of the naturally occurring oxide layer of the aluminium is artificially increased. With the anodising process, a wide range of colours are available.

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

PRIMARY MARKETS AND APPLICATIONS FOR OUR PRODUCTS

AUTOMOTIVE AND TRANSPORTATION

The use of aluminium is accelerating as it offers the fastest, safest, most environmentally friendly and cost-effective way to increase performance, fuel economy and reduced emissions while maintaining safety and durability.

Key properties
Lightweight, corrosion resistant, recyclable, strong and ductile.

Automotive clad tube stock and finstock
Used in the manufacture of automotive heat exchangers such as radiators, charge air-coolers, condensers and evaporators.

Plate and heat-treated plate
Used in the production of aerospace components, truck bodies, trailers, tankers, boats and train wagons.

Heatshield products
Used for containing heat within engine compartments.

ENGINEERING AND DURABLE CONSUMER GOODS

Extruded aluminium sections are used in the manufacture of various industrial applications and coated and uncoated building products are used within a wide range of structures in the building and construction industry.

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

General engineering coil and sheet products
Used in items such as electronics, computers, office products and durable consumer goods.

Plate and heat-treated plate
Used in vacuum chambers for the manufacture of computer chips, plasma displays, distribution boards and numerous other applications.

Finstock products
Used in the manufacture of domestic and industrial airconditioning systems

Extrusions
Numerous applications and developing opportunities such as solar components.

BUILDING AND CONSTRUCTION

With aluminium's durability, high strength-to-weight ratio, design flexibility and contributions to energy savings, it is the material of choice for architects and designers.

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

Painted and mill finish building coil and sheet
Used in a wide range of applications including roofing, cladding, ceilings, gutters and downpipes.

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

PACKAGING

Aluminium is preferred because it keeps food safe from harmful elements in the environment, the metal is impermeable and protects the flavour and integrity of the packaged contents.

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.

THE EXTERNAL ENVIRONMENT

Our business does not exist in isolation. As we compete in the world aluminium market, with more than 50% of our goods exported, we are exposed to market forces and developments outside of our borders. In this context, it is important that we understand:

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

Our business is impacted by situations and trends in the following broad categories, for which we have highlighted key issues affecting our business in 2017 as well as our approach to managing the challenges and opportunities that they represent:

- Global Primary Industry (incorporating LME prices and geographic premiums);
- South African Aluminium Industry and operating environment;
- South African Economic and Political Environment;
- Global Aluminium Semi-fabrication market; and
- Regional Market Development.

SOUTH AFRICAN ALUMINIUM INDUSTRY AND OPERATING ENVIRONMENT

ISSUE

Energy: Inconsistent supply of and increasing cost of energy.

Local smelter: Availability of local primary aluminium

DRIVERS

Electricity supply: Electricity supply constraints have started to ease as new supply has come on-line in the form of new power stations. The inability of the local energy supplier to reduce and contain internal costs, and to minimise the pass-on to customers of the cost of new infrastructure, creates the potential for high energy prices in the future.

Gas supply: The commitment from relevant stakeholders to invest in a gas-pipeline to secure consistent, reliable and cost-effective supply is not immediately forthcoming.

Local smelter: Stronger LME aluminium pricing provides support to local South 32 aluminium smelter, however, a new long-term electricity deal is still to be secured and the implications of proposed carbon tax legislation is unclear.

IMPLICATIONS

Electricity supply: Exorbitant energy price increases impact on global cost competitiveness which erodes margins earned which ultimately impacts on shareholder returns. Should energy supply remain inconsistent benchmark operational performance is unlikely to be achieved.

Gas supply: The consistency of gas supply has a direct impact on the achievement of benchmark operational performance.

Local smelter: Outlook for local smelter improving, but uncertainty still exists until new electricity deal finalised with Eskom.

STRATEGIC APPROACH

Electricity supply: The group has engaged with the Energy Intensive Users Group (EIUG) to lobby NERSA for reasonable price increases to limit the erosion of margins and to remain competitive within the global environment. A demand reduction operating plan is being developed to reduce internal consumption of energy.

Gas supply: The group has diversified gas supply by converting certain lines to CNG as an alternative source of energy. Ongoing discussions with a variety of stakeholders to secure a gas pipeline to the Pietermaritzburg region.

Local smelter: Ongoing engagement with South 32 and key stakeholders to promote growth of the South African aluminium industry and casting in Richards Bay. Increased use of aluminium scrap.

GLOBAL PRIMARY ALUMINIUM INDUSTRY

ISSUE

Excess global capacity places pressure on marginal aluminium smelters due to tempered aluminium prices, which are forecast to continue for the next five years.

DRIVERS

Capacity in China: Global capacity is impacted by excess capacity in China which results in supply exceeding demand, tempering the LME aluminium price over the next five years.

Environmental Concern: Concerns in China are, however, likely to result in closure of smelting capacity which will provide a level of support for LME aluminium pricing.

Geographic Premiums: Low metal premiums have persisted since mid-2015 and have placed additional pressure on marginal smelters.

IMPLICATIONS

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

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

STRATEGIC APPROACH

The group will continue to grow its current proportion of high value products in the overall product mix to bolster margins and profitability. The development of new, higher value products will further be bolstered by increased focused investment in finishing capability and maintaining a strong relationship with the group's current technology partners, consultants, industry experts and academic institutions.

Category	Impact on strategic objective 1	2	3
South African aluminium industry and operating enviroment	Threat	Neutral	Opportunity
Global primary industry	Neutral	Neutral	Neutral
South African economic and political environment	Neutral	Threat	Opportunity
Global aluminium semi-fabrication market	Neutral	Threat	Opportunity
Regional market development	Neutral	Threat	Opportunity

1 *Strengthen the core (of the business) to compete*
2 *Increase rolling margins*
3 *Investing in the assets of tomorrow*

Opportunity *Neutral* *Threat*

Further details of our risk management strategy is provided on page 40 to 47.

SOUTH AFRICAN ECONOMIC AND POLITICAL ENVIRONMENT

ISSUE
The Rand strengthens against the US-dollar and remains at stronger levels for an extended period.

DRIVERS
Political uncertainty continues to reduce after the ANC elective conference outcome, and this, together with an overall improvement in business confidence over the latter part of 2017 and into 2018 has resulted in an improvement in Rand strength.

IMPLICATIONS
A significantly stronger Rand results in a material decrease in the group's earnings before interest and tax in the short-term but more stable environment creates supportive investment conditions.

STRATEGIC APPROACH
The group continues focusing on improving rolling margins through new high-value products and implementing sustainable cost reduction plans.

The group monitors its investment in working capital and continues to increase inventory efficiencies and reduce its cash cycle.

GLOBAL ALUMINIUM SEMI-FABRICATION MARKET

ISSUE
Market share: Increased competition in global and local markets for market share.

Trade policies: Chinese aluminium producers get closed out of key markets through punitive tariff protection mechanisms.

DRIVERS
Market share: Global oversupply of aluminium semi-fabrication products driven by continued capacity investments in China. Investment in capacity exceeds demand growth leading to flat forecast utilisation rates over the long-term horizon.

Trade policies: Growing trend in protectionist trade policies around the world to support local manufacturing industries.

IMPLICATIONS
Market share: Rolling margins in key product categories decline in US-dollar terms. The decrease in rolling margins reduces total shareholder returns.

Trade policies: The group may gain an advantage over Chinese competitors for supply into certain export markets, but the group also faces pressure in the local market from low cost imports.

STRATEGIC APPROACH
Market share: Develop local and regional sales, including the promotion of local OEM type products. The group continues to focus on improving the route-to-market and niche positions in current high value products.

Trade policies: The group continues to focus on opportunities created in export markets from changes in relative trading conditions.

REGIONAL MARKET DEVELOPMENT

ISSUE
Market: Low growth in the local market.

Transformation: Increasing focus on the pace of transformation of the local economy.

DRIVERS
Market: Low economic growth and constrained local market demand for aluminium semi-fabricated products. Nationally a reduced investment in and failure of key infrastructure in ports, roads, energy and water has impacted on economic growth.

Transformation: Enhancement of a prosperous South Africa for all and advancement of economic growth prospects through a fully inclusive economy.

IMPLICATIONS
Market: Low domestic market demand negatively impacts on the group's ability to generate sustainable financial returns within the local market and hampers the ability to enhance transformation within its supplier base.

Transformation: Varying stakeholder interest in the execution of corporate's transformation strategies.

STRATEGIC APPROACH
Market: The group continues to promote the group's value proposition in South Africa. Continue to engage with the Department of Trade and Industry regarding incentive programmes for industrial development with local sourcing. The group will also focus on the development of its regional (rest-of-Africa) growth plan.

Transformation: Continued focus on the execution of appropriately designed transformation strategy. Development of the Richards Bay aluminium hub permit growth in black aluminium casting businesses within the Richards Bay region. Enhance leadership development programmes to up-skill and fast track black talent in the business.

ENGAGING WITH STAKEHOLDERS

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

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

ISSUES RAISED
Continual and responsible contribution to regional development through:

- Facilitating downstream development;
- Job retention and creation;
- Transformation and empowerment;
- Safer workplaces;
- Healthy competition among business; and
- Energy consumption reduction.

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

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

ISSUES RAISED
Sustainable growth and return on investment through:

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

STRATEGIC RESPONSE
- Aggressively attack costs and develop cost-focused culture.
- Investing in capability and technical partnerships to develop new, higher value products.
- Partnering with government to develop an aluminium hub within RIchards Bay.

IMPORTANCE
We are reliant on customers and potential customers to sustain revenue-generation and growth.

ISSUES RAISED
Reliable service, good quality products and competitve prices through:

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

STRATEGIC RESPONSE
- Secure metal supply through recycling facilities and the operation of Isizinda.
- Improve customer on-time delivery performance by re-engineering the sales and operations planning approach.

Further information on our Social, Relationship and Intellectual Capital is provided on page 54.

IMPORTANCE
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.

ISSUES RAISED
Continued growth and relationships through:

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

STRATEGIC RESPONSE
- Recycling initiatives to create employment opportunities,
- Continued investment in the assets of tomorrow.

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

ISSUES RAISED
Provision of gainful and safe employment through:

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

STRATEGIC RESPONSE
- Continued investment through training and development.
- Strategic transformation targets.
- Focused safety programme.

IMPORTANCE
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.

ISSUES RAISED
Responsive contribution to community interest and needs through:

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

STRATEGIC RESPONSE
- Continued commitment to established CSI programmes.

CREATING VALUE FOR SOCIETY

OUR VISION

A high performing Hulamin characterised by attractive margins, best-in class and cost competitive manufacturing driving the development of a vibrant and transformed aluminium sector in South Africa.

Through our vision, Hulamin delivers value to its stakeholders and is aligned with South Africa's economic vision with a focus on job creation and human capital development, balancing national accounts (export fabricated aluminium products rather than primary aluminium) and economic transformation.

CUSTOMERS

Capital enhanced

OUR MISSION:
CUSTOMERS CHOOSE US BEFORE OTHERS

Satisfied customers are our source of income which allows us to invest in and create value for all our other stakeholders.

Value is created through:

- Obtaining low-cost, sustainable metal supply from smelters and aluminium scrap;
- Our world-class asset base and knowledge unlocks the properties inherent in primary aluminium for use in a variety of industries and product applications; and
- Providing a unique mix of technical expertise, high-technology manufacturing capabilities and responsive customer service.

Capital employed

SHAREHOLDERS AND THE BROADER STAKEHOLDER BASE

Capital enhanced

OUR MISSION:
WE CREATE SHAREHOLDER VALUE

A strong and profitable business enables continued investment in our employees and asset base which in turn creates value for our customers and broader society.

Value is created through:

- Generating sustainable financial returns through making appropriate trade-offs between capitals employed;
- Aluminium's advantageous physical properties supports the development of endless applications which are aligned with technological innovation;
- Contributing to the national current account through the exportation of semi-fabricated aluminium; and
- A partner of government and other industry players to support the National Development Plan vision.

Capital employed

Creating value for our stakeholders through our strategic objectives requires the balancing of capital transformation with the achievement of our strategic objectives. For more information on our considerations of the impact of our strategy on our capitals, refer to page 22 of this report.

EMPLOYEES

Capital enhanced

OUR MISSION:
EMPLOYEES' LIVES ARE ENRICHED

Our employees are key to delivering attractive margins through best-in-class manufacturing techniques and identifying cost-saving opportunities. Employee enrichment is considered holistically taking into account rewards and recognition, career development and Hulamin's involvement in the development of the local economy.

Value is created through:

- Rewarding employees for value added;
- Career development through the offering of bursary schemes; and
- Transforming to an inclusive society through employment equity and gender equality.

Capital employed

COMMUNITY

Capital enhanced

OUR MISSION:
MAKE A MEANINGFUL CONTRIBUTION IN THE PIETERMARITZBURG COMMUNITY

As a major contributor to the economic activity of Pietermaritzburg we have a moral obligation to assist within the area within which we operate.

Value is created through:

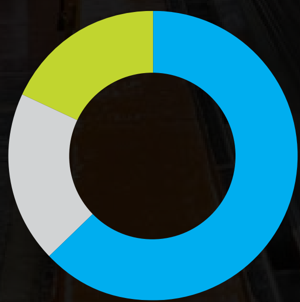
- As more aluminium is sold into the local economy, more aluminium can be recycled and reused stimulating investment in low-carbon recycling projects;
- A strong local supply industry will facilitate investment in downstream fabrication, thereby continuing to improve the competitiveness of South Africa and the region;
- A strong local supply industry supports the growth of new downstream businesses;
- Recycling projects are aligned with South Africa's vision of environmental sustainability through a reduction in aluminium energy costs through smelting (closed-loop);
- The development of small and medium-sized entities through a focused enterprise development programme;
- Procurement of the majority of our goods and services locally; and
- The development of aluminum products supports downstream industries enabling economic growth.

Capital employed

STRATEGY, RISK AND LEADERSHIP

63%

Non-executive independent executives



STRATEGIC LEADERSHIP

- Independent non-executive 63%
- Non-executive 19%
- Executive 18%

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

BOARD OF DIRECTORS

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

MAFIKA EDMUND MKWANAZI (63)
CHAIRMAN OF THE BOARD
RN | RSHE | CC

RICHARD GORDON JACOB (52)
CHIEF EXECUTIVE OFFICER
RSHE | TSE

CHARLES ALEXANDER BOLES (48)
INDEPENDENT NON-EXECUTIVE
RN

Board demographics

- ACI male 43%
- White male 38%
- ACI female 19%

ACI: African, Coloured and Indian

VUSI NOEL KHUMALO (55)
NON-EXECUTIVE
TSE

ROBERT L LARSON (62)
INDEPENDENT NON-EXECUTIVE

ANTON PAUL KRULL (43)
CHIEF FINANCIAL OFFICER
RSHE

THABO PATRICK LEEUW (54)
INDEPENDENT NON-EXECUTIVE
A | RSHE | CC

NARAN MAHARAJH (51)
INDEPENDENT NON-EXECUTIVE
A

NOMGANDO MATYUMZA (54)
INDEPENDENT NON-EXECUTIVE
A | RN | CC

DR BONAKELE MEHLOMAKULU (45)
INDEPENDENT NON-EXECUTIVE

MOSES ZAMANI MKHIZE (56)
MANUFACTURING DIRECTOR
RSHE

SIBUSISO NGWENYA (64)
NON-EXECUTIVE
TSE

THANDIWE NZIMANDE (47)
INDEPENDENT NON-EXECUTIVE
TSE

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

PETER HEINZ STAUDE (64)
INDEPENDENT NON-EXECUTIVE
RSHE | CC

GEOFFREY HAROLD WATSON (66)
INDEPENDENT NON-EXECUTIVE
RN | RSHE | CC

GCINA CECIL ZONDI (44)
ALTERNATIVE NON-EXECUTIVE

EXECUTIVE COMMITTEE

RICHARD GORDON JACOB (52)
CHIEF EXECUTIVE OFFICER
Joined Hulamin in 1990

ANTON KRULL (43)
CHIEF FINANCIAL OFFICER
Joined Hulamin in 2008
Rejoined Hulamin in 2016

MOSES MKHIZE (56)
MANUFACTURING
Joined Hulamin in 1982

AYANDA MNGADI (43)
CORPORATE AFFAIRS
Joined Hulamin in 2016

HECTOR MOLALE (51)
MANAGING DIRECTOR: HULAMIN EXTRUSIONS
Joined Hulamin in 1993

CLAYTON FISHER (41)
STRATEGY AND SUPPLY CHAIN
Joined Hulamin in 2009

MARLENE JANNEKER (46)
HUMAN CAPITAL
Joined Hulamin in 1995

FRANK BRADFORD (57)
STRATEGIC METAL SUPPLY
Joined Hulamin in 1993

DARRYL WEISZ (54)
STRATEGIC MARKET DEVELOPMENT
Joined Hulamin in 2012

MARLON REDDY* (48)
METAL BUSINESS UNIT
Joined Hulamin in 2001

RODNEY GREEN-THOMPSON* (44)
MANUFACTURING BUSINESS UNIT
Joined Hulamin in 1994

IAN SMITH* (49)
SALES AND MARKETING
Joined Hulamin in 2003

The Executive Committee is responsible for delivering the strategic objectives as set by the Board of Directors. The Group Executive Committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and 10 other suitably skilled and experienced members of senior management.

** Acting members have not been included in the Executive Committee remuneration indicated on page 155 of the financial statements.*

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

Note: Ages quoted are at 31 December 2017.

Board skills composition

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

Executive demographics

- White male **50%**
- ACI male **33%**
- ACI female **17%**

ACI: African, Coloured and Indian

UNPACKING THE STRATEGY

EXPECTATION OF SHAREHOLDERS

VISION AND MISSION

EXTERNAL ENVIRONMENT TRENDS

MATERIAL MATTERS

Our material matters as described are determined through a proactive monitoring approach and are considered by the Hulamin Executive Committee. Material matters highlighted below have had the most material impact on the outcomes of our strategic objectives in the current financial year and have shaped the development of our strategic objectives for 2018. More details regarding our external environment and an analysis of our risks and opportunities are provided on pages 26 and 44 to 47.

- **Threat:** Rolling margins in key product categories remain under pressure in a competitive global market.
- **Threat:** Low local economic growth and constrained local market demand for aluminium semi-fabricated products.
- **Threat:** Competition in South Africa from low cost imports.
- **Opportunity:** Use of innovative technology to optimise business processes, know-how, customer value and assets.
- **Threat:** Stronger Rand environment putting pressure on Hulamin's operating profit.

OUR ENABLERS

The Hulamin Executive Committee has implemented an effective risk management process (refer page 40 of this report) to mitigate risk and leverage opportunity relative to the key enablers required to deliver our strategic objectives.

Enabler	External influence*	Indicator
Availability of capital and incentives	South African economic and political environment	Opportunity
Conversion margins and market demand	Global aluminium semi-fabrication market and regional market development	Threat / Opportunity
Currency, operating environment and input costs	South African economic and political environment	Threat
Price and availability of aluminium scrap inputs	South African economic and political environment	Opportunity
Availability of primary aluminium	South African primary aluminium industry	Opportunity

Opportunity *Threat*

** Our external environment is described further on page 26.*

OUR STRATEGIC RESPONSE

1 STRENGTHEN THE CORE (Short-term)

In order for the group to remain competitive and sustainable, it must improve operational performance levels to targeted levels based on global benchmarks for similar operations. This will be achieved by:

ACHIEVING BENCHMARK OPERATIONAL PERFORMANCE

Benchmark operational performance includes optimising the following operational variables:

Manufacturing excellence:

- Stabilise operational performance through improved risk management.
- Improve central coordination and strategic analysis capability to drive key decision-making in the business.

Customer satisfaction:

- Improve customer on-time delivery by re-engineering the sales and operational planning approach.

ACHIEVING GLOBAL COST COMPETITIVENESS

The group continues to reduce its input costs in a sustainable manner to remain globally competitive. The group continues to aggressively attack costs and develop cost-focused culture to offset inflation.

KPI

- Develop and execute a process capability and competency framework.
- Production volume growth.
- Consistent and improving production, safety, environmental and quality performance.
- Cost reduction and improvement.

2 INCREASE ROLLING MARGINS (Medium-term)

Increased global competition and subsidisation of Chinese products requires Hulamin to focus on higher value product categories and margins.

GROW LOCAL AND REGIONAL SALES

With the growth in sub-Saharan Africa and the corresponding increase in *per capita* income, the consumption in the region is set to grow significantly. This will allow the group to focus its product range and will also increase the availability of aluminium scrap in the region.

The group 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.

The group will focus on:

- Growing defendable niche positions.
- Invest in capabilities and technical partnerships to develop new, higher value products.
- Re-engineer route-to-market strategies.

SUPPORTIVE REGULATORY ENVIRONMENT

The aluminium industry presents the local economy with significant opportunities for economic growth, industrial development, job creation, transformation and energy efficiency. The group and aluminium industry, in turn, require the support of Government to assist to manage the unfair competition through low-priced imports, making appropriate infrastructure available, prescribing local content requirements in infrastructure projects and stimulating the attractiveness of direct investment.

KPI

- Overall USD/ton conversion margin.
- Percentage high-value sales mix.
- Percentage metal inputs from recycled scrap.

3 INVEST IN THE ASSETS OF TOMORROW (Long-term)

With increasing global competition in aluminium rolled products, for Hulamin to achieve a step change in margin realisation in the future, a significant shift is required in our sales mix to move further up on our value curve. In order to achieve a shift in the value curve Hulamin's long-term vision includes:

- Investment in new assets and capabilities that will allow the uplifting of product categories;
- Re-configuring the asset base away from low margin products; and
- Supporting the development of upstream business in Richards Bay to enable the local beneficiation of primary aluminium into a range of value added products.

KPI

- Growth in local beneficiation of liquid primary aluminium.
- Number of new high value products launched.
- Percentage high value products in sales mix.

DELIVERING THE STRATEGY

OUR PERFORMANCE SCORECARD

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

STRATEGIC OBJECTIVES

ACHIEVE BENCHMARK OPERATIONAL PERFORMANCE

2017 KPIs
- Production volume growth
- Consistent and improving production, safety, environmental and quality performance

ACHIEVE GLOBAL COST COMPETITIVENESS

2017 KPIs
- Sustainable cost reduction
- Percentage of metal inputs from recycled scrap

GROW LOCAL AND REGIONAL SALES

2017 KPIs
- Overall USD/ton conversion margins
- Number of new high-value products launched
- Percentage high-value sales mix

SECURE REGULATORY ENVIRONMENT

2017 KPIs
- Growth of local beneficiation of liquid primary aluminium

KPI	2017 Target	2017	2016	2015
SALES VOLUME	>230 000 tons per annum	233 210	231 583	197 866
ROLLED PRODUCTS PRODUCTION VOLUME	>213 000 tons per annum	214 339	211 436	179 785
OVERALL YIELD	>67%	66,9%	67,4%	62,1%
ROLLED PRODUCTS CONVERSION COST PER TON INDEX	Cost reduction of R100 million to maintain unit cost level	90,1	95,7	100
USD/TON ROLLING MARGIN INDEX	Increasing average margins	82	83	100
SCRAP AS % OF METAL INPUT	12% of metal requirements	11%	8%	6%
ENERGY CONSUMPTION INTENSITY (GJ/MT PRODUCTION)	Constant or decreasing per metric ton produced	11,54	11,68	12,5
CARBON EMISSIONS INTENSITY (MT CO_2/MT PRODUCTION)	Constant or decreasing per metric ton produced	1,68	1,76	1,93
WATER CONSUMPTION INTENSITY (KL/MT PRODUCTION)	Constant or decreasing per metric ton produced	2,49	2,66	3,33
LOST TIME FREQUENCY INJURY RATE	<0,18	0,22	0,03	0,31

KPI	2017 Target	Performance
SALES VOLUME	**Sales volume in excess of 230 000 tons per annum**	Risk mitigation systems continue to be effective and plant reliability stable. This led to an improvement in sales volumes to a record 233 000 tons for the group (and a record 215 000 tons for Rolled Products.)
ROLLED PRODUCTS PRODUCTION VOLUME	**Rolled Products production volumes in excess of 213 000 tons per annum**	Rolled Products built on the strong manufacturing performance delivered in 2016 notwithstanding a 12-day integrated shut in the third quarter to attend to major maintenance and improvements. Rolled Products achieved record production levels of 215 000 tons per annum.
OVERALL YIELD	**Yields greater than 67%**	Yields continue to remain stable as manufacturing performance remains reliable due to major maintenance and improvements during the 12-day integrated shut.
ROLLED PRODUCTS CONVERSION COST PER TON INDEX	**Managed cost increases**	Excellent progress was made during the current financial year both in terms of the delivery of significant cost reduction (R117 million) against target and the development and the roll-out of the group's cost optimisation programme. This, together with strong production performance, mitigated the impact of inflation and commodity price increases.
USD/TON ROLLING MARGIN INDEX	**Increasing average margins**	Rolling margins remained in line with prior year notwithstanding difficult trading conditions in export markets. Export market conditions were partly offset by continued growth of Rolled Products' local market sales, driven by increased sales of can stock.
SCRAP AS % OF METAL INPUT	**12% of metal requirements**	The increase in can stock sales permitted an increase in the recycling of market scrap by 40% over the previous year.
ENERGY CONSUMPTION INTENSITY (GJ/MT PRODUCTION)	**Constant or decreasing per metric ton produced**	The group's energy intensity per ton improved from the previous record in 2016. The group's energy consumption consists of fuel gases (56%), electricity (39%) and liquid fuels (5%). Specific actions within each area is further highlighted in our Sustainability Report available at www.hulamin.co.za.
CARBON EMISSIONS INTENSITY (MT CO_2/MT PRODUCTION)	**Constant or decreasing per metric ton produced**	The group's recycling facility supplied the remelt facility with an additional 35 944 MT of liquid metal. This substitution with recycled metal effectively avoided the requirement of virgin metal, resulting in a saving of CO_2 emissions of 156 740 MT in 2017.
WATER CONSUMPTION INTENSITY (KL/MT PRODUCTION)	**Constant or decreasing per metric ton produced**	Water consumption savings were achieved through water awareness campaigns and identified wastages with minimal engineering intervention and no capital expenses required.
LOST TIME FREQUENCY INJURY RATE	**<0,18**	Hulamin continues to monitor high-potential hazards and incidents that caused injuries to learn from them and improve safety behaviour and conditions. Further information on our safety interventions can be found in our Sustainability Report which is available at www.hulamin.co.za.

RISK MANAGEMENT

INTRODUCTION

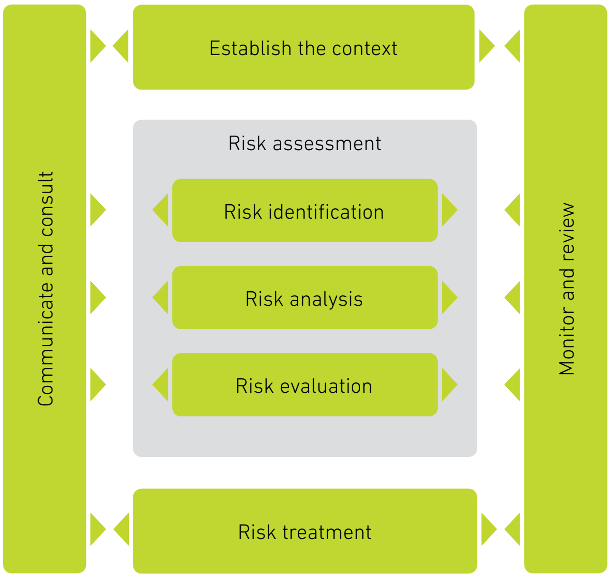
The employment of an effective risk management process is critical to Hulamin achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. Hulamin recognises that risk is intrinsic to the business and that there is a balance to be struck between managing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

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

The formal structure assists in:

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

OPERATIONAL PROCESS



RISK MANAGEMENT FRAMEWORK

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

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

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

LINKING RISK, STRATEGY AND GOVERNANCE

The strategic objectives are cascaded to business plan objectives and operational objectives. Risks are reviewed against these objectives in the relevant governance structure.

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

RISK MANAGEMENT CONTINUED

RISK MANAGEMENT GOVERNANCE REVIEW

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

The Board carries out its responsibilities for risk management via the Risk and Safety, Health and Environment (SHE) Committee which has oversight of the group's enterprise risk management framework, policy and processes.

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

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

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

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

Various external and internal parties provide risk assurance and compliance.

PRINCIPAL RISKS

The Risk Management Committee conducts a formal review of the most significant risks and the group's responses to these risks three times a year. These are reviewed by the Risk and SHE Committee three times a year, and at every meeting of the executive committee and Board.

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

INTERNAL CONTROL AND ASSURANCE

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

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

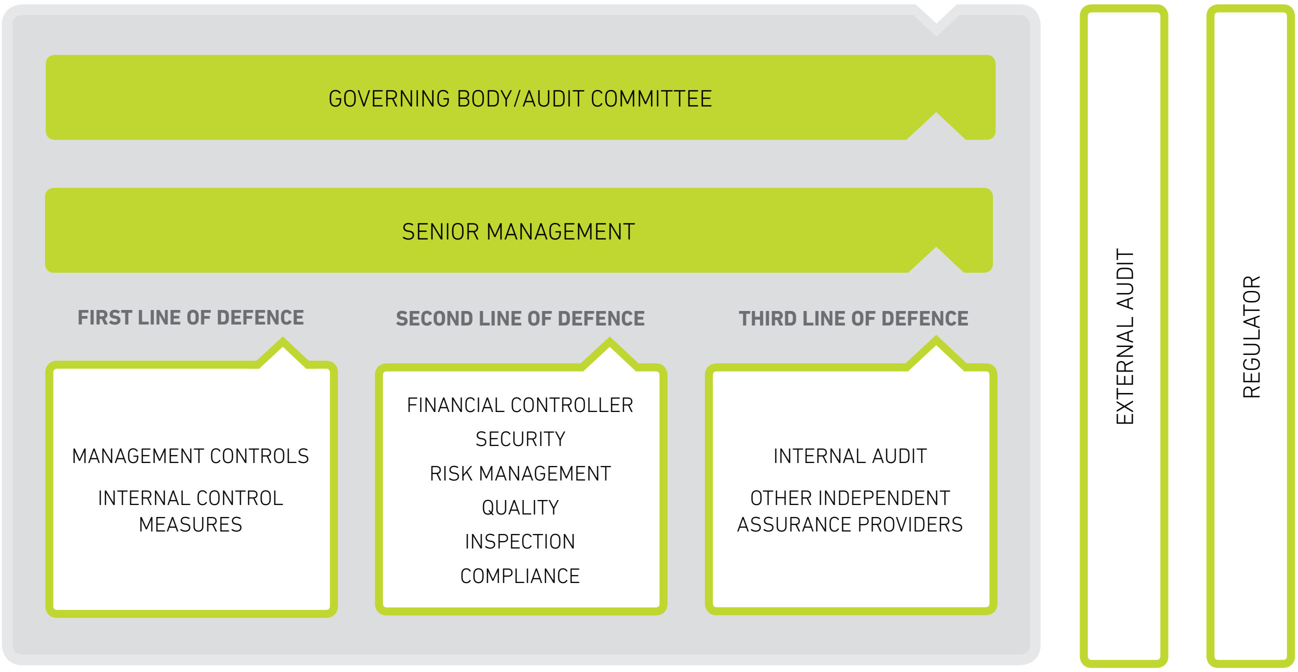
The group's internal audit function is responsible, *inter alia,* for the following:

EFFECTIVENESS OF INTERNAL FINANCIAL CONTROLS

Internal audit provides a written statement annually to the Audit Committee on the effectiveness of the systems of internal financial control.

EFFECTIVENESS OF INTERNAL CONTROLS AND RISK MANAGEMENT

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



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

Assurance efforts are documented in the combined assurance plan.

2017 RISK FOCUS SUMMARY

Reflecting on 2017	Status
Rolling out technology to simplify risk reporting and risk administration	Completed
Focus in risk culture and embedding risk	In progress
Risk review session	Completed
Risk appetite review	Completed
Operational risk framework	Completed
Strategic risk framework and risk scenario planning	In progress
Developed risk procedure and processed	Completed

2018 FOCUS

- Risk culture and embedding risk
- Embedding business continuity
- Advancing strategic risk management and scenario planning
- Focus on operational risk mitigation and controls linked to KPI delivery

RISK MANAGEMENT CONTINUED

Trend/context	Emerging uncertainty/principal risk	Subsidiary risk (Principal risk consequence)	
Weak economic climate in South Africa. Political uncertainty, unclear policy direction.	Sovereign rating downgrade by rating agencies of local-currency denominated debt below investment grade.	Dramatic weakening of currency resulting in short-term liquidity constraints.	
	Low growth in the local market.	Low economic growth. Constrained local market demand for aluminium semi-fabricated products.	
		Potential withdrawal of foreign investment. (Key customers withdraw from South Africa).	
		Reduced investment in and/or failure of infrastructure: • Ports • Roads • Energy • Water	
Global oversupply of aluminium semifabricated products, driven by continued capacity investments in China • Investment in capacity exceeds demand growth, leading to flat/lower utilisation mrates over the next 10 years	Increased competition in global and local markets for market share.	Rolling margins in key product categories continue to decline in USD terms.	
	Increased relevance of access to required technology and skills to develop products of the future.	Inability to develop new high value, niche products to improve business profitability and long-term sustainability.	
Global oversupply of oil and gas industry persists and local gas opportunities are exploited, leading to a period of low crude oil and gas prices which are supported by local infrastructure investments.	Infrastructure investment in South Africa (distribution pipelines, LNG import terminals) to take advantage of low cost energy.	Significantly lower cost of energy to Hulamin through natural gas pipeline supply.	

Risk type	Risk response	Link to strategy	Capital impacted	Risk trend
THREAT	• Amend currency hedge programme to reduce cash flow volatility. • Committed working capital in place with adequate headroom. • Reduce working capital investment by focusing on inventory efficiencies and cash cycle improvements to reduce cash flow volatility.	1 2	Financial	Decreasing
THREAT	• Seek growth opportunities through new products. • Shift mix as appropriate to higher value export opportunities. • Continue to pursue tariff protection and other barriers in local market to protect and grow market share. • Develop regional (Africa) growth plan.	1 2	Financial	Decreasing
THREAT	• Engagement with multinational customers to promote Hulamin's value proposition in South Africa. • Cooperate with industry and government regarding incentive programmes for industrial development coupled with local sourcing.	2 3	Financial Social/relationship	Stable
THREAT	• Shift in Hulamin's product mix to higher value OEM sectors with lower dependence on infrastructural projects. • Monitor capability of outgoing logistics; road, rail and port infrastructure. • Reduce electricity usage through energy efficiency projects. • Reduce water consumption and install backup water reservoirs. • Diversify gas supply to limit dependence on a single source.	1 2 3	Manufactured Natural	Stable
THREAT	• Drive improved product mix, by: – Growing proportion of current high value products in overall mix (and reduce low margin export common alloy volumes) – Improve routes to market and niche positions in current high value products – Develop new, higher value products with focused investments in finishing capability. • Monitor competitor actions • Pursue manufacturing excellence and low cost of production • Develop local and regional sales, including the promotion of local market OEM type products	2 3	Financial Social/relationship	Increasing
THREAT	• Maintain strong relationships with current technology partners/consultants, industry experts and academic institutions • Develop local R&D network and aluminium technology centre(s) through CSIR/DST and AFSA.	2 3	Intellectual Human	Stable
OPPORTUNITY	• Engagement at all levels of government, Transnet and other stakeholders to secure piped gas infrastructure to Pietermaritzburg.	1 3	Manufactured Financial	Increasing

1 *Strengthen the core (of the business) to compete*
2 *Increase rolling margins*
3 *Investing in the assets of tomorrow*

RISK MANAGEMENT CONTINUED

Trend/context	Emerging uncertainty/principal risk	Subsidiary risk (Principal risk consequence)
Growing trend in protectionist trade policies around the world and support to local manufacturing industries.	Chinese aluminium producers get closed out of key markets such as USA through punitive tariff protection measures.	Hulamin gains an advantage over Chinese competitors to supply key markets such as USA.
		Competition in South Africa from low cost countries increases substantially.
	South Africa's preferential trade access into key developed markets is reviewed.	Loss of competitive advantage relative to other exporters into developed markets.
Economic activity curtailed by energy scarcity due to delayed investment in infrastructure and production/conversion capacity: • Electricity generating capacity in SA now has headroom, a result of poor demand and new power stations coming on line and planned to come on line. • The risk is that Eskom does not reduce/contain internal costs and becomes an unsustainable entity.	Energy scarcity in South Africa.	Inconsistent supply of and increasing cost of electricity.
		Uncertainty in sustainability of Hillside smelter.
Accelerating impact of climate change, and increasing global environment regulations.	Local and international resolve towards low-carbon economy.	Introduction of Carbon Tax in South Africa.
	Water scarcity.	Disruption to manufacturing operations.
Loss of confidence in US authorities ability to deliver growth-boosting fiscal policies result in a weaker US Dollar. At the same time South African political stability improves, supports foreign investment and growth resulting in a stronger Rand.	South African Rand strengthens against the US Dollar and remains at a stronger level for an extended period.	Significantly stronger Rand results in major negative impact on Hulamin's EBIT.
New and increasing use of digital activities and technologies to improve business value.	An opportunity arises as to how these new technologies will be used to achieve business strategy objectives.	Leverage product and process know-how, achieve production efficiencies and cost reduction, improved agility and closer customer collaboration and service improvements.

Risk type	Risk response	Link to strategy	Capital impacted	Risk trend
OPPORTUNITY	• Grow sales of high value products in key developed markets such as USA.	2, 3	Financial Manufactured	Increasing
THREAT	• Focus on developing OEM market sectors in SA. • Enhance non-tariff businesses where possible. • Pursue tariff protection where necessary.	1, 2, 3	Financial Manufactured	Increasing
THREAT	• Engage with DTI and international trade authorities to understand and influence direction of trade policies. • Focused product/market development programme to grow high value product sales in a variety of domestic, regional and export markets. • Focus on product development and innovation with key OEM customers.	2, 3	Social/ relationship Financial	Increasing
THREAT	• Develop demand reduction operating plan to minimise production losses. • Work closely with Eskom to ensure Hulamin has as few disruptions as possible. • Install backup generators to mitigate impact of load shedding/ curtailment. • Work with Energy Intensive Users Group (EIUG) to lobby Nersa for "reasonable" electricity cost escalations.	1, 2	Manufactured Natural	Stable
THREAT	• Develop alternative metal sourcing options. • Engage government, South 32 and other stakeholders to ensure support for domestic aluminium industry.	1, 2	Financial Social/ relationship	Stable
THREAT	• Enpgagement with government through AFSA regarding an appropriate approach to the levying of carbon tax on the aluminium industry. • Ongoing efforts to reduce Hulamin's electricity and gas consumption.	1, 2	Natural Financial	Increasing
THREAT	• Projects to reduce water consumption. • Increase the water storage capacity on site. • Investigation in the use of recycled water on all manufacturing sites. • Ongoing engagement with the municipality regarding water supply.	1, 2	Manufactured Natural	Stable
THREAT	• Ongoing focus on improving rolling margins and sustainably reducing costs – thereby reducing break-even levels. • Delay non-urgent capex and improve prioritisation of capex. • Continue to maximise production within a stable plant. • Review hedging strategy to change Hulamin risk profile. • Sell non-core assets/other business units. • Maintaining suitable borrowing facilities and headroom.	1, 2	Financial	Increasing
OPPORTUNITY	• Develop digitalisation roadmap and strategy.	1, 2	Manufactured Intellectual Human	Increasing

1 *Strengthen the core (of the business) to compete*
2 *Increase rolling margins*
3 *Investing in the assets of tomorrow*

CHIEF EXECUTIVE OFFICER'S REPORT

Since strengthening the management team from 2013 to 2016, Hulamin's operating performance has improved measurably. In 2017, this high standard was again achieved. I am particularly proud of the Hulamin Rolled Products team that once again showed passion, commitment and the desire for continuous improvement on an already impressive base performance in 2016. In this review of 2017, I will present both the results of these efforts as well as some of the underlying successes achieved during the year.

OVERVIEW OF 2017

Sales volumes for the year to 31 December 2017 totalled a record 233 000 tons, which was similar to the corresponding period's 232 000 tons. This was made possible by a second consecutive year's record performance in Hulamin Rolled Products of 215 000 tons, as well as contributions from Hulamin Extrusions and Hulamin Containers. As a result of strong risk mitigation actions, we achieved a second year without external disruptions, although a planned shutdown for 12 days for maintenance and upgrades in the third quarter reduced manufacturing output by appoimately 7 000 to 8 000 tons. During this shutdown we completed and commissioned further gas conversions from Liquid Petroleum Gas (LPG) to Compressed Natural Gas (CNG). This now takes our split between these two sources from approximately 70:30 to 55:45. This conversion further mitigates the supply disruption that has made Hulamin vulnerable to the unreliable supply of LPG in South Africa. The Hulamin Rolled Products team once again made significant improvements to efficiencies and implemented cost reductions as the levels of sales and production of can body stock again increased (by 63%). This increased demand allowed us to increase our procurement of scrap by 40%.

In 2017 major changes occurred in Hulamin's largest export market, the United States of America. In March, the Aluminium Association laid a complaint of unfair trade practices against Chinese foil supply into the USA. After seven months of investigation, the US International Trade Commission ruled that Chinese foil was indeed produced in a non-market based economy and applied anti-dumping import duties ranging from 96 to 162% on these products. Hulamin has supplied foil into the USA since the late 1980s.

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

During 2017, Hulamin continued to build its synergistic relationship with Isizinda, the JV slab cast house in Richards Bay. The product range, flexibility, volume and recycling performance of Isizinda were all improved, resulting in lower risk to slab supply and the capability to reduce inventory of rolling slab.

Hulamin Extrusions and Hulamin Containers both performed consistently in 2017. In Hulamin Extrusions, the powder coating investment approved and announced in 2016, started up on time, on budget and on specification. This capability provides the opportunity for strategic turnaround and improved positioning throughout Africa in synergy with Hulamin Rolled Products.

Although we maintained our improved safety incident frequency rates, on Monday, 6 November 2017, Michael Gumede, a contractor working on our Edendale site fell to his death. We have felt a huge loss as a result of this most unfortunate incident. Following a thorough root cause investigation, we have taken a number of strong actions to reduce the likelihood of this unfortunate incident happening again.

TRANSFORMATION

Hulamin is located in a society with unusual levels of poverty and inequality. Hulamin has committed itself to playing a positive role in addressing these problems through its values and Transformation actions. Hulamin has played an important role in the empowerment and transformation of KwaZulu-Natal for more than 25 years. In 2016, the Hulamin Board approved a revised Transformation plan that focuses on preferential procurement, employment equity, ownership and control as well as enterprise and supplier development.

In the year under review, we have made important strides in establishing the Aluminium Beneficiation Initiative, an organisation focused on developing entrepreneurial activity in the aluminium value chain, the Nyonithwele High School Science and Biology Labs, and a health partnership with the Provincial Department of Health and the American Embassy (PEPFAR Programme).

We remain committed to driving this change from within. To this end, and although we still have a long way to go, we made important progress in 2016 in adapting to the revised BEE Codes as published by the department of Trade and Industry. Our 2016 score (published in 2017) justified a level 5 rating. However, primary aluminium is only available in South Africa from a single source, South 32's Hillside Smelter, which is not "empowered". As a result we could not achieve the required Preferential Procurement sub-minimum score to prevent us from being penalised down to a level 6.

SUCCESSION

Hulamin has an enviable depth of talent and human resources, of both genders and well distributed in accordance with South Africa's demographic profile. I am therefore extremely proud of the available talent and succession pool that we have available. Due to the unique nature of Hulamin's operations in Southern Africa, Hulamin relies heavily on developing talented employee from within our own ranks. I am therefore not only proud, but also encouraged that there is abundant talent to secure Hulamin's future.

A PLEASING SET OF FINANCIAL RESULTS

Turnover increased in 2017 to R10,2 billion (2016: R10,1 billion) as a result of the higher LME aluminium price and a stronger sales volume. The Rand strengthened by 10% to an average of R13,32/USD (2016: R14,73/USD), dampening Rand revenues and eroding profits to the tune of some R267 million (on a like-for-like basis).

The price we pay for aluminium includes the US Dollar London Metal Exchange price as well as a blended international geographic premium. Following the stable regional geographic premium in 2016, these premiums were again relatively unchanged 2017. Hulamin is 50% exposed to movements in the US Dollar value of its aluminium inventory and 100% exposed to the Rand value of this working capital. Changes in this value are known as the metal price lag effect which is reported in Rand. The LME Aluminium price continued to firm during 2017, resulting in an increased metal price lag benefit of R150 million (R50 million in 2016).

Hulamin continues to perform in spite of a stronger currency.

Richard Jacob
Chief Executive Officer

Manufacturing costs in Rolled Products were 5% lower than the prior year, a combined result of numerous factors. These include planned cost reduction measures, local inflation, a lower Rand/US Dollar rate (on US Dollar costs), and improved access to natural gas. Costs from the Isizinda joint venture were once again consolidated as Hulamin has effective control of the operation. Comparable earnings before interest and taxation (EBIT) were 33% higher on a constant currency basis.

Hulamin again delivered improved cash flows and capital discipline during 2017. Net cash flow after investment activities of R296 million further reduced borrowings to a manageable level of R317 million. This improvement was underpinned by operating cash flow that amounted to R557 million. Capital expenditure amounted to R261 million (2016: R328 million) and net interest payments totalled R99 million.

STRATEGIC OUTLOOK

With high levels of performance maintained in 2017, we continued to explore opportunities for growth and sustainable performance improvement. The three pillar revision to the Hulamin Strategic plan that was approved in 2016 remains important. These three pillars include:

STRENGTHENING THE CORE (OF THE BUSINESS)

The basis for long-term performance, investment and growth remains inside the operation with a strong operational core, Hulamin has the strength to grow, expand and invest.

GROWING ROLLING MARGINS

Hulamin embarked on a major drive in 2017 to improve US Dollar rolling margin (selling prices). This includes elements of mix improvement, product enhancement, new product development, market development and possible downstream vertical integration.

INVESTING IN ASSETS OF TOMORROW

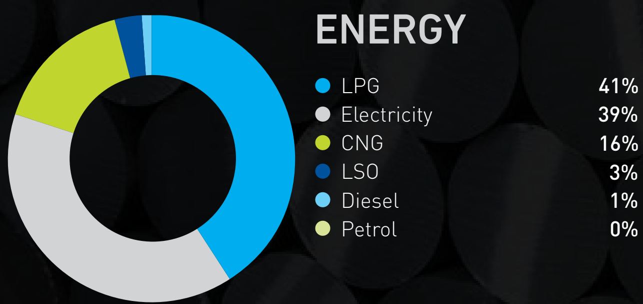
It is clear that the assets (both hard and human/"soft") of the past in their current form will be insufficient to grow our business and remain relevant into a future marked by significant change. We are evaluating growth opportunities to significantly uplift our value offering to stakeholders, within the constraints of available resources and risk appetite. This equates to the deployment of people, equipment and know-how. We expect to announce a number of projects over the coming period.

CONCLUSION

After sustained high performance levels in 2017, we are committed to Hulamin's sustainable growth and improvement and look forward to unlocking further value for all our stakeholders.

VALUE CREATION

57%



ENERGY REQUIREMENT SOURCED FROM LPG AND CNG DURING 2017

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

KEY INDICATORS: CAPITALS

SOCIAL, RELATIONSHIP AND INTELLECTUAL CAPITAL OUTCOMES

		2017	2016
Taxation paid	(R'000)	127 669	127 972
Spending on corporate social responsibility	(R'000)	2 101	2 100
B-BBEE Expenditure	(R billion)	2,2	2,1
B-BBEE Status	(Level)	6*	3

ACTIONS TO ENHANCE OUTCOMES

- Finalise the restructure of Isizinda to achieve an appropriate long-term ownership structure
- Continue to promote the development of an aluminium-hub in Richards Bay through enterprise development programmes

** Revised BEE codes*

HUMAN CAPITAL OUTCOMES

		2017	2016
Benefits distributed	(R'000)	1 144 905	1 048 174
Number of employees		2 020	1 934
Lost time injury frequency rate		0,22	0,03
Total recordable case frequency rate		0,61	0,27

ACTIONS TO ENHANCE OUTCOMES

- Increase African representation at senior management level
- Achieve the objectives of the employment equity plan
- Improve on historic safety records

MANUFACTURED CAPITAL OUTCOMES

		2017	2016
Capital expenditure	(R'000)	261 034	328 407
Repairs and maintenance	(R'000)	282 028	257 720
Depreciation and amortisation	(R'000)	216 374	186 000
RP: Production volumes	(tons)	214 339	211 436

ACTIONS TO ENHANCE OUTCOMES

- The 12-day integrated shut produces a strong base off which to leverage future efficiency and machine optimisation
- Continue to drive capital discipline
- Increase metal inputs from scrap

NATURAL CAPITAL OUTCOMES

		2017	2016
Total CO_2 emissions	(CO_2/MT production)	1,68	1,76
Water consumption	(Kl/MT production)	0,57	0,65
Electricity consumption	(GJ/MT production)	4,47	4,59
LPG consumption	(GJ/MT production)	6,55	6,58

ACTIONS TO ENHANCE OUTCOMES

- Continued emissions reduction
- Implementation of further water savings initiatives
- Enhance benefits received from the recycling facility

FINANCIAL CAPITAL OUTCOMES

		2017	2016
Operating profit	(R'000)	537 966	621 514
Cash generated by operations	(R'000)	557 166	679 028
Free cash flow	(R'000)	296 132	415 349
Net debt to equity	(%)	6,8	13,3
Headline earnings per share	(cents)	104	119
Dividends per share	(cents)	15	15

ACTIONS TO ENHANCE OUTCOMES

- Continue to drive the cost optimisation programme
- Drive margin improvement through mix and investment in high value products
- Increase metal inputs from scrap

SOCIAL, RELATIONSHIP AND INTELLECTUAL CAPITAL

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

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

A LOOK BACK AT OUR GOALS FOR 2017

- The development of downstream industries through our partnership with the Aluminium Beneficiation Initiative continues.
- Plans for the development of an aluminium-hub in Richards Bay remain on track as various possibilities are identified and investigated.

THE FOCUS FOR 2018

- Finalise the restructure of Isizinda to achieve an ownership structure that has 51% black ownership and 30% black female ownership to improve achievable points for preferential procurement.
- Continue to promote the development of a downstream aluminium beneficiation industry through our enterprise development programmes.
- Establish an aluminium-hub in Richards Bay.

OUR KEY RELATIONSHIPS

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

Further information detailing the expectation of stakeholders and the group's strategic response thereto is provided on page 28 of this report. Additional information can also be found in the Sustainability Report available on our website at www.hulamin.co.za.

INVESTMENT IN OUR COMMUNITIES

CORPORATE SOCIAL INVESTMENT (CSI)

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

During the past 12 months the group contributed R2,1 million towards various CSI initiatives.

CSI distribution

INVESTMENT IN OUR SUPPLIERS

PREFERENTIAL PROCUREMENT

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

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

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

The revised B-BBEE codes continue to have an impact on the group's preferential procurement score as approximately 65% of the group's total measureable spend is with Isizinda (which although black-owned has no scorecard rating) and South 32 (level 8) for aluminium rolling slab and primary ingot respectively. The group is unable to achieve an acceptable preferential procurement score as almost no points are achieved from these two key entities.

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

- R253 million was spent on qualifying small enterprises (QSE);
- R305 million was spent on emerging micro-enterprises (EME);
- R855 million was spent with enterprises which were at least 51% black-owned; and
- R273 million was spent with enterprises where black women owned more than 30%.

ENTERPRISE DEVELOPMENT

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

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

The various initiatives put in place by the group for enterprise development and supplier development amounted to R10 million committed during the past 12 months.

CIAPAMBA (PTY) LTD

On awarding eThekwini Caterers the group's catering contract for two canteens located at the Edendale site and the Campsdrift site in 2014, the group entered into a Enterprise Development Plan that would result in developing, training and mentoring four of eThekwini Caterers entrepreneurial minded staff to independently own and run one of the canteens.

We are proud to announce that in December 2017 Ciapamba (Pty) Ltd was established and awarded the contract to run the Campsdrift canteen. For more on this success story see our Sustainability Report available on our website at www.hulamin.co.za.

HUMAN CAPITAL

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

A LOOK BACK AT OUR GOALS FOR 2017

- Female representation at senior level continues to improve with the appointment of two African females in E-band positions, three African females at D-band level and five African females at C-band levels.
- Since the inception of our apprenticeship programme 19 female artisans have been placed in permanent positions.
- After 11 years of being fatality free a contractor working on repairing the Foil Mill roof on Hulamin's Edendale site was fatally injured.

OUR GOALS FOR 2018

- Increasing African representation at senior management level.
- Achieve the objectives of the Employment Equity Plan in 2018.
- Development of our succession planning strategy for future sustainability.
- Improve on safety record.

EMPLOYMENT EQUITY TARGETS

Criterion	Target 2018 %	Status 2017 %	Number of people 2017
Black representation at senior management	58	46	32
Black representation at middle management	85	81	145
Black representation at skilled and supervisory level	91	95	907
Women at senior management	12	14	10
Women at middle management	23	21	37
Women at skilled and supervisory level	15	19	180

OUR PEOPLE

Our workforce consisted of 2 020 employees at December 2017 (2016: 1 934) on whose skills, education and experience we rely to deliver our strategic objectives. Core and specialist skills required throughout our operations include, among others, metallurgical engineering, rolling, roll-grinding, surface treatments and casting.

EMPLOYMENT EQUITY

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

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

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

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

Hulamin has continued to make strides towards achieving its Employment Equity Plan and in the current year has made the following significant achievements:

- Female representation at senior level continues to improve with the appointment of two African females in E-band positions, three African females at D-band level and five African females at C-band levels.
- Of our 25 in-service trainees 28% are African females being developed in skills such as metallurgy, industrial engineering, electrical engineering and mechanical engineering.
- Three females whom previously occupied shop floor positions have been appointed into team leader positions and eight female operators have been advanced into senior operator positions.
- Black representation at D-band level has been maintained at 69% in the current financial year.

INVESTING IN OUR PEOPLE

SKILLS DEVELOPMENT

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

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

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

TALENT MANAGEMENT AND DEVELOPMENT

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

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

Refining and delivering structured and integrated succession planning and career development processes are areas of the talent management strategy that have received deliberate attention and will continue to receive sharper focus in 2018.

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

HUMAN CAPITAL CONTINUED

EMPLOYEE WELLNESS

SAFETY

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

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

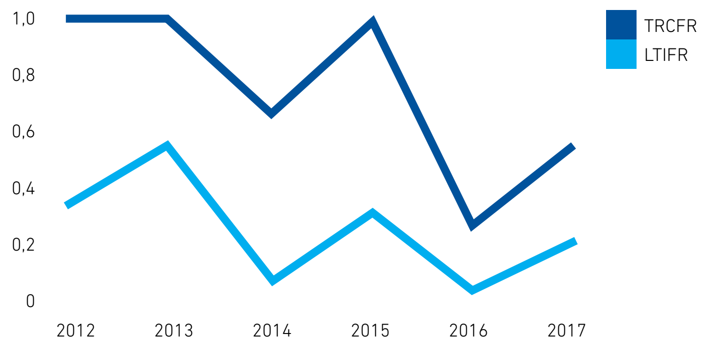
During 2017 Hulamin continued to strive to achieve enhanced safety standards and improvements on unsafe conditions. After 11 years of being fatality free a contractor working on repairing the Foil Mill roof on Hulamin's Edendale site was fatally injured when he fell from a height of 10,5 metres through the roof above the rolling mill. This tragic event had a profound effect on the entire organisation.

The number of lost time injuries (LTIs) increased from one in 2016 to eight in 2017 with human behaviour being the biggest contributor to these injuries. Hulamin continues to monitor high-potential hazards and incidents that caused injuries to learn from them and improve safety behaviour and conditions.

HEALTH

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

Safety performance frequency rate



The Total Recordable Case Frequency Rate (TRCFR) and the Lost Time Injuries Frequency Rate (LTFR) is the number of recordable injuries divided by the number of hours worked, multiplied by 200 000. Targets for 2017 were LTRIF 0,18 and TRCFR 0,5.

ENGAGING WITH OUR PEOPLE

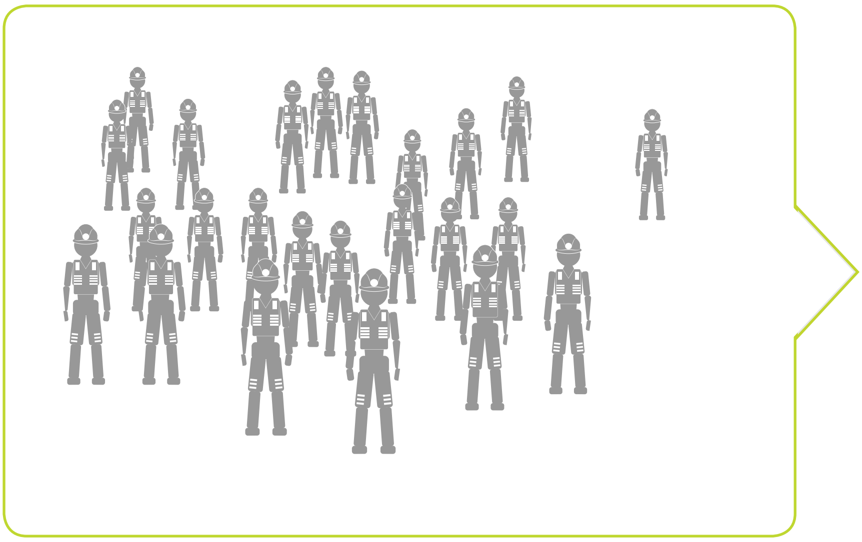
The heart, mind and hands of the employee determine how connected they are to the organisation they work for. Hulamin understands and recognises this and also believes that its employees play a critical role in the successful execution of its strategy and its vision for growth.

During 2017 Hulamin engaged with its employees through an updated engagement survey to track the initiatives put in place which were identified in the engagement survey of 2015. The survey allowed Hulamin to gauge the current state of engagement as well as establish a baseline to track views, perceptions and changes in employee engagement over time.

The result – an improved employee engagement of 7%!

A lot of effort has gone into implementing initiatives as recommended by our people. To mention just a few, there has been a complete overhaul of the performance management process since 2015. Although the process has been implemented in a phased approach, the fruits thereof are starting to show with most employees starting to give positive feedback about the process. Another critical factor to improving employee engagement was leadership. We have introduced a Hulamin leadership development programme which employs the same principles at all levels of management allowing these principles to be applied at all leadership levels. This has also resulted in employees recognising a positive shift in the leadership of the organisation.

In 2018 we will be focusing on issues that were identified by the recent survey and engaging with our employees to see how we can improve going forward. We believe in a healthy relationship with our employees hence continuously trying to improve this relationship.



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

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

MANUFACTURED CAPITAL

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

LOOKING BACK ON OUR 2017 GOALS

- Manufacturing performance yield for 2017 decreased to 66,9% (2016: 67,4%) due to a more complex mix of products being produced.
- Can body stock production ramp up continues in line with our targets.

FOCUS FOR 2018

- Continue to improve our production performance and efficiencies to reach our upwards revised target of 68%.
- Continue to optimise our cost-efficiency programme without hampering the achievement of targeted production and sales levels.
- Improved utilisation of cheap scrap metal units and the optimisation of the Camps Drift and Isizinda remelt facilities.

OPERATIONAL STATISTICS

REPAIRS AND MAINTENANCE
R282 million
(2016: R258 million)

GROUP SALES
233 000 tons
(2016: 232 000 tons)

ROLLED PRODUCTS SALES
215 000 tons
(2016: 214 000 tons)

ASSET ADDITIONS
R261 million
(2016: R328 million)

ASSET DISPOSALS AT COST
R94 million
(2016: R74 million)

EXTRUSIONS SALES
18 000 tons
(2016: 18 000 tons)

PERFORMANCE YIELD
66,9%
(2016: 67,4%)

ASSETS CARRYING AMOUNT
R3 325 million
(2016: R3 264 million)

ROLLED PRODUCTS COST PER TON INDEX
90,1%
(2016: 95,7%)

STRATEGIC ASSET BASE

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

GROUP ASSETS

INFRASTRUCTURE

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

STRATEGIC SPARES

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

REMELT AND CASTING

REMELT AND CASTING EQUIPMENT

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

RECYCLING PLANT

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

ROLLING AND FINISHING

MILLS

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

PLATE PLANT

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

SLITTERS

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

COATING

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

EXTRUSIONS

EXTRUDING

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

POWDER COATING

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

MANUFACTURED CAPITAL
CONTINUED

KEY CAPITAL RELIANCES

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

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

HULAMIN OPERATIONS
Hulamin's remelt operations, consist of:

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

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

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

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

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

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

KEY AREAS OF FOCUS

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

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

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

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

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

ASSET CARE

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

Our dedicated asset care team is focused on furthering the:

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

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

RECYCLING PLANT

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

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

NATURAL CAPITAL

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

A LOOK BACK AT OUR GOALS FOR 2017

- The milestone of converting all the planned furnaces to natural gas was completed in September 2017.
- Benefits from the recycling centre resulted in a 11 460 ton reduction in greenhouse gas emissions.

THE FOCUS FOR 2018

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

NATURAL RESOURCES WE ARE RELIANT ON

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

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

DECREASING OUR RELIANCE ON KEY RESOURCES

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

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

Intensity against one ton of production

	Carbon footprint (tons CO_2e)	Electricity consumption (KWh)	LPG consumption (GJ)	Water consumption (Kℓ)
2015	1,93	1 393	7,52	3,32
2016	1,76	1 267	6,99	2,66
2017	**1,68**	**1 228**	**6,56**	**2,46**

OUR IMPACT ON NATURAL CAPITAL DURING 2017

The group sets intensity targets for all key environmental parameters (consumption per unit ton produced). Production increased by 1,8% over 2016 while energy consumption increased by only 0,5%. Electricity has been well managed while overall fuel gas consumption was higher due to further plant conversions to compressed natural gas.

CARBON FOOTPRINT

The group has further reduced absolute Carbon emissions for the 2017 production year, in spite of increasing production. The group recorded a reduction of 12 324 tons of CO_2e emissions from 2016 while increasing production in 2017 by 1,8%.

The reductions were achieved by focusing on electricity consumption which is the main source of the group's emissions.

ENERGY CONSUMPTION

Energy consumption levels remained in line with the previous records recorded in 2016 with the desired production throughputs having been achieved. The satisfactory energy consumption levels have been achieved through implementing key actions in each of the material energy components identified below.

GAS

The milestone of converting all the planned furnaces to natural gas was completed in September 2017 when the coating line project was completed resulting in the group's dependence on LPG having been reduced by about 48%. The change in energy mix has also had a positive effect on the group's GHG (greenhouse gas) emissions.

The group's remelt furnaces, which still consume LPG, will continue to receive attention in 2018 with projects anticipated to improve gas-to-air ratios and reduce energy consumption.

The efficiency of the transfer of liquid metal from the recycling furnace is being improved by relining the crucibles with a thinner refractory, without loss of insulation performance, to ensure a 10 ton transfer of metal at each pour. This in turn ensures more molten metal into the main melters reducing the energy needs.

ELECTRICITY

Projects initiated in 2016 to capture consumption data accurately continued through 2017. Significant progress has been made with the installation of power meters at machines, the development of an industrial network to support the uninterrupted transfer of data and the IT systems to support problem solving and decision making. The network was completed at the Edendale site and should be in place at the Campsdrift side by late February 2018. Reporting and analysis capabilities have been improved and Hulamin can now compare daily electricity consumption at all machine centres against a modelled consumption. This enables the investigation and correction of any deviations.

The variable speed drive (VSD) project savings continue to grow. Savings achieved during the last 12 months were 3,7 GWh (2016: 3,2 GWh). Further anticipated savings of 5,0 GWh is anticipated for the 2018 financial year.

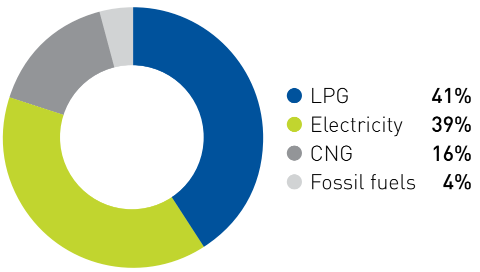
WATER

The installation of water meters has been completed with the electronic linking of these to the database planned for completion in early 2018. This will enable the group to migrate a live water management system as opposed to a manual meter reading system for more accurate consumption data.

Water consumption levels have decreased per unit to the lowest levels since 2011 mostly through awareness campaigns and identified wastages. Opportunities for water savings identified from the National Cleaner Production Centre assessment performed in 2016 have been progressed and formalised as projects. Expectations are that these will be rolled out early in 2018.

During the year the group continued to grow the benefits from its recycling centre with a 34% increase of purchased scrap aluminium (including used beverage cans) on the prior year.

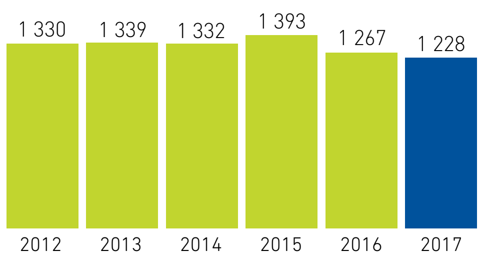
Energy consumption



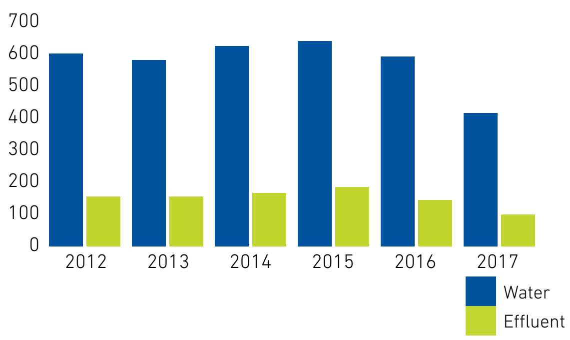
WASTE

A general awareness of the need to reduce waste to landfill has resulted in no further increases in waste to landfill in spite of the increase production in 2017.
In partnership with a recycler who recovers rolling oil from our spent filter cake (cold and foil rolling), we are proud to report that we have passed the mark of a million litres of rolling oil recovered since the inception of this project. This is equivalent to around eight months' supply of oil to these mills!

Electricity intensity (KWh/MT production)



Water usage (Kℓ in thousands)



FINANCIAL CAPITAL

- **Operating profit 13% lower at R538 million, but up 27% on a comparable currency-adjusted basis**
- **Strong operating performance and metal price lag gain mitigates against the negative R267 million EBIT impact of the stronger currency during the year**
- **Cost reduction targets achieved R117 million net cost out**
- **Headline earnings per share down 13% to 104 cents**
- **Return on capital employed down from 9,2% to 7,8%**
- **Cash-generation before financing activities (free cash flow) of R296 million, supported by working capital efficiency improvements and capital discipline**
- **Stronger balance sheet, with net borrowings reducing to R317 million (2016: R577 million)**
- **Dividend of 15 cents per share (cps) declared (2016: 15 cps)**

PURPOSE

The purpose of this review is to provide insight into the financial performance and financial position of the group for the year ended 31 December 2017 and should be read in conjunction with the annual financial statements presented on pages 112 to 174.

OVERVIEW

Despite the achievement of record group sales volumes of 233 000 tons, strong delivery in relation to Hulamin's cost management programme and a metal price lag gain resulting from the rising aluminium price, a stronger Rand resulted in an 13% decline in Hulamin's headline and normalised earnings per share to 104 cps from the 119 cps achieved in the previous year.

Notwithstanding a 12-day planned integrated plant shut in the third quarter to attend to major plant maintenance and improvements, a strong manufacturing performance supported the attainment of a record Rolled Products sales volume of 215 000 tons in 2017, resulting in group sales of 233 000 tons.

The Rand averaged R13,32 to the US Dollar during 2017, 10% stronger than the R14,73 average recorded in 2016. This had a R267 million negative impact on Hulamin's operating profits.

The London Metals Exchange (LME) price of aluminium improved to $2 242 per ton at 31 December 2017, up from the $1 713 per ton recorded a year earlier. This resulted in a R150 million metal price lag gain in 2017, up R100 million from the R50 million gain recorded in 2016.

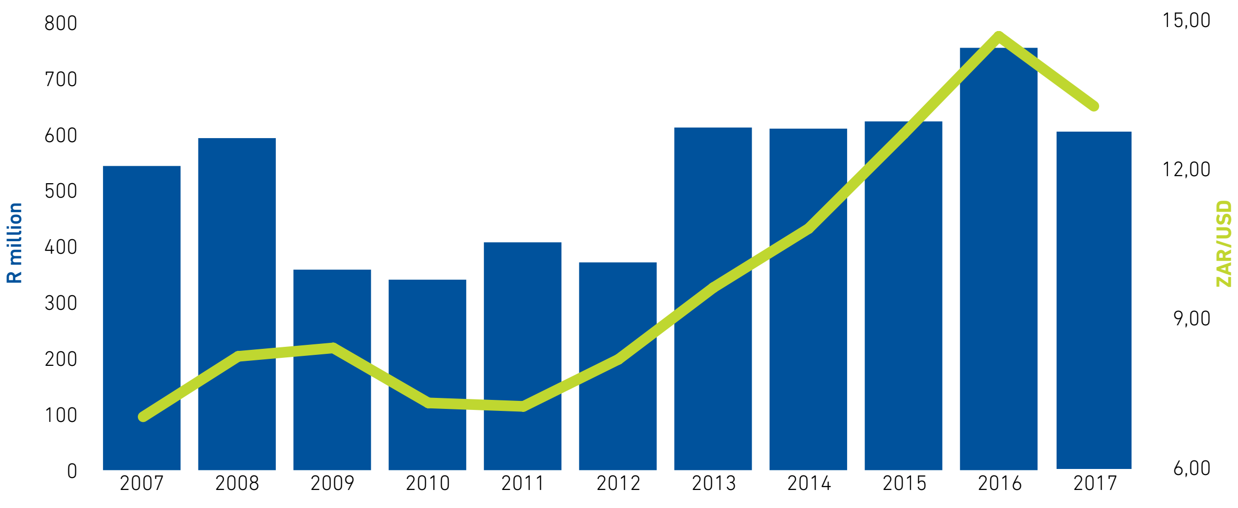
Conversion margins were in line with those achieved in 2016, however, manufacturing costs were down 4% on a per unit basis.

Group earnings before interest, tax, depreciation and amortisation (EBITDA) declined 7% to R754 million (20% decline before metal price lag).

Improved working capital efficiencies, together with lower levels of capital expenditure resulted in cash inflow before financing activities (free cash flow) of R296 million which enabled the group to reduce its borrowings to R317 million from R577 million a year earlier.

A final dividend of 15 cps was declared for the 2017 financial year, in line with the dividend of 15 cps declared in 2016.

Normalised EBITDA before metal price lag



A record production performance, together with the impact of a focused cost optimisation programme, sustainable working capital improvements and prudent management of capital expenditure resulted in the generation of R296 million free cash flow in 2017.

Anton Krull
Chief Financial Officer

FINANCIAL CAPITAL CONTINUED

MARKET REVIEW

PRIMARY ALUMINIUM

In response to indications of slowing economic growth, the central government of China instituted a fiscal stimulus targeting the infrastructure sector during the 2016 calendar year. The stimulus continued to drive growth in the region, with the Chinese economy growing at 6,9% for the 2017 calendar year. Strong growth prospects in China, which is the world's largest producer and consumer of aluminium, laid the foundation for a continued strengthening of aluminium prices.

However, it has been the constraint placed on aluminium supply growth by the Chinese government that has had the largest impact on aluminium prices. The China's Central Government's Supply Side Reform Policy has resulted in the closure of unlicensed and illegal smelting capacity and has also required dozens of aluminium producers to shut during the winter season to reduce air pollution.

Smelters in China remain largely unprofitable, with significant taxes placed on export of primary aluminium, increased scrutiny of Chinese origin material in Europe and the US and higher input costs, particularly alumina, energy and carbon.

It is likely therefore that the current high inventory levels of aluminium in China will decline, lending support to higher levels in the Shanghai Futures Exchange (SHFE) price of aluminium.

Supply tightness increased in the rest of the world, with London Metals Exchange (LME) inventories at record low levels, supporting the increase in the LME price of aluminium from $1 714/ton at the end of 2016 to $2 242/ton at the end of 2017.

The group's profit and loss benefited from this continued strengthening in aluminium prices resulting in a metal price lag benefit of R149,6 million in the past financial year (2016: R50,0 million benefit), although it had a negative impact on cash flow of R145,0 million.

DOMESTIC CURRENCY

The Rand experienced continued volatility to the US Dollar during the current financial year albeit at levels stronger than in 2016.

The US Dollar came under pressure in the first quarter as the market lost confidence in President Trump's ability to deliver on his economic agenda, and as improved certainty around the future of the European Union (EU) on the back of elections results in the Netherlands, France and Germany improved the outlook for global trade, supporting emerging market currencies.

The latter half of the financial year saw the Rand losing value against the US Dollar as ratings agencies indicated the possibility of further ratings downgrades which ultimately materialised on 24 November 2017, resulting in the currency trading at R13,93 to the US Dollar on that date.

Following the election of Cyril Ramaphosa as the new president of the ANC, on 18 December 2017, the Rand strengthened sharply to end the year at R12,38 to the US Dollar.

During the financial year, the Rand traded between R14,49 and R12,27 to the US Dollar, at an average of R13,32, 10% stronger than the prior financial year.

The Rand was also, on average, stronger against the Euro for the 2017 financial year, recording an improvement of 8% on the average of the previous year.

DOMESTIC MARKET

Domestically, inflationary pressure eased, assisted by lower food inflation as one of South Africa's worst droughts came to an end. Consumer price inflation has declined below the Reserve Bank's top-end target of 6,0% hovering closer to 4,7% at year-end. South Africa's GDP growth for the 2017 calendar year was 0,8% with projections for the 2018 calendar year, more optimistic since the ANC elective conference, now ranging up to 2,0%.

FINANCIAL PERFORMANCE

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

OPERATING PROFIT

Rolled Products built on the strong manufacturing performance delivered in 2016 and increased production levels by 1 000 tons to 215 000 tons in 2017. The plant undertook a 12-day integrated shut in the third quarter to attend to major maintenance and improvements. Risk mitigation systems continue to be effective and plant reliability is stable. This led to an improvement in sales volumes to a record 215 000 tons (group volumes improved to a record 233 000 tons).

Overall, average unit US Dollar rolling margins achieved in 2017 were in line with the prior year. Trading conditions in Hulamin's export markets remained difficult during 2017. This was offset by the continued growth of Rolled Products' local market sales, driven by increased sales of can stock, which now represents 40% of total domestic sales, up from 33% level achieved in the prior year. The increase in can stock sales permitted an increase in the recycling of market scrap by 40% over the previous year.

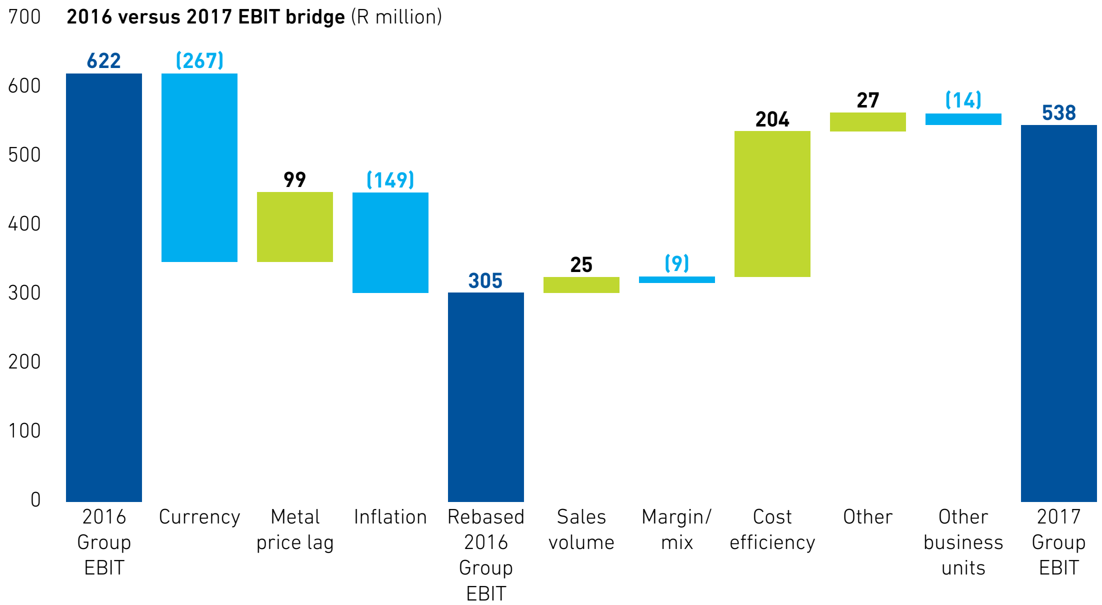
Material costs, packaging and gas costs were impacted by higher commodity and crude oil prices, the weaker local currency and increased volumes. Electricity prices, on average, and salary and wage increases in 2017 were above the official consumer price inflation level, although there was a welcome reduction in the rate of increase in electricity prices approved by NERSA for the period 1 July 2017 to June 2018 to 2,2%. However, due to the poor financial state of Eskom, the risk remains that electricity prices will increase significantly going forward.

Excellent progress was made during the current financial year both in terms of the delivery of significant cost reduction against target and the development and the roll out of Hulamin's cost optimisation programme. This, together with the strong production performance, mitigated the impact of inflation and commodity price increases, and resulted in a 6% improvement in unit manufacturing costs at Rolled Products.

Hulamin's cost optimisation programme, which was rolled out at the beginning of 2017, aims to deliver further measurable, sustainable cost reduction of R300 million (12% of addressable manufacturing costs) over the next five years.

In the current year, Hulamin delivered cost reductions in the manpower, contractor and operating supplies categories through the deployment of lean methodology, supported by improved cost management systems. Procurement and supply chain improvements resulted in reductions in certain material and packaging costs. Baseline gas costs improved as Rolled Products converted a further 35% of its gas supply to compressed natural

2016 versus 2017 EBIT bridge (R million)



gas, which now stands at 45% of its total supply. The remelt and casting operation remains fully supplied by liquid petroleum gas, whilst Hulamin continues to seek a long-term solution to securing piped gas into the region.

The Rand averaged R13,32/USD for the 2017 financial year, 10% stronger than the previous year's average of R14,73/USD. This had a significant negative impact on the current year's operating profit of R267 million as Hulamin's conversion margins are predominantly foreign-currency denominated.

The Rolled Products segment recorded operating profits of R523 million, a decrease of 11% over the prior year, and Hulamin Extrusions' operating profits were lower by 55% to R15 million. Note 2.1 of the group financial statements discloses more information on our operating segments contribution.

FINANCE COSTS

Total interest paid remained comparable with prior years, decreasing by 3% to R99 million as a result of marginally lower average borrowings during the current financial year, despite the impact of the rising LME price of aluminium.

Net finance cost decreased by 10% to R78 million due to a higher proportion of borrowing costs capitalised to plant and equipment in the current financial year.

TAXATION

The effective tax rate decreased from 28,0% to 27,8% in the current year.

HEADLINE AND NORMALISED EARNINGS

Basic headline earnings and normalised earnings for the group decreased by 12% to R333 million in 2017 from R380 million in the previous year.

CASH FLOW

A strong operational performance and working capital management, together with controlled capital expenditure, resulted in the group generating cash flow before financing activities (free cash flow) of R296 million (2016: R415 million), despite the negative impact of the weaker average currency on conversion prices and the impact of the strengthening of the aluminium price on derivative cash flows.

OPERATING CASH FLOWS

The group generated positive cash flow before working capital changes of R716 million in 2017, a 4% decrease on the previous year.

WORKING CAPITAL MANAGEMENT

Improvements in the management of working capital resulted in a release of cash of R68 million in the 2017 financial year, despite a significant negative impact due to the increase in the LME price of aluminium.

After achieving a significant improvement in inventory efficiencies in 2016 to average 85 days (2015: 115 days; 2014: 103 days and 2013: 119 days), Rolled Products maintained these levels in 2017 despite a build-up of inventory in the first quarter due to operational challenges in the Pietermaritzburg remelt operation and higher inventory levels in the third quarter as a result of the integrated plant shut. The Rand value of inventory nevertheless increased by 18% mainly due to the increase in the aluminium price.

Rand receivables decreased by 18% over 2016, despite comparable sales volumes, mainly due to a sustainable reduction in the cash cycle arising from increased sales into the local market and credit term improvements. Foreign receivables were further impacted lower by the stronger currency towards the 2017 year-end, which closed at R12,38, down 9% from the rate of R13,61 recorded at the end of 2016. Almost all receivables are insured, with a 10% deductible, and the quality of the book remains excellent.

Trade payables increased by 11% on the prior year, mainly as result of the impact of the 23% increase in the Rand aluminium price on metal creditors.

CAPITAL EXPENDITURE AND COMMITMENTS

Cash outflows from investing activities for the year decreased to R261 million from the R264 million net outflow in 2016.

Cash flows from investing activities in the prior year included the receipt of a R57 million government grant under the Manufacturing Competitiveness Enterprise Programme (MCEP), excluding which cash outflows from investing activities decreased by 18%.

FINANCIAL CAPITAL CONTINUED

An amount of R43 million (2016: R110 million) has been contracted and committed but not spent.

BORROWINGS AND LIQUIDITY

Net borrowings closed at R317 million, down R260 million on the prior year closing position. Borrowings comprised the balance of R162 million on an original R270 million term loan (put in place to fund the investment in Hulamin's recycling facility), a R193 million revolving working capital loan and a R73 million loan from the employer surplus in the pension fund, reduced by cash balances of R111 million. Committed facilities totalled R1 885 million, leaving headroom of R1 568 million at year-end.

Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants have been met with a significant safety margin in the 2017 financial year.

Gearing (net debt to equity) decreased to 7%. The low level of gearing is expected to be further reduced in the short term, however, will increase again over the medium to long term, in anticipation of investment in capital expansion projects.

RETURN ON CAPITAL EMPLOYED

The return on capital employed for the group decreased from 9,2% to 7,8% year-on-year, mainly due to the negative impact of the stronger local currency on Hulamin's operating profits.

DIVIDENDS

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

A final dividend for the 2017 financial year of 15 cps per share has been approved (2016: 15 cps). This represents a distribution which is seven-times covered by headline earnings and is considered appropriate in order to permit a further reduction in the group's gearing levels.

KEY FINANCIAL RISKS AND RELATED HEDGING ACTIVITIES

METAL PRICE RISK AND CURRENCY RISK EXPOSURES

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

CONVERSION MARGIN AND COSTS (CURRENCY RISK)

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

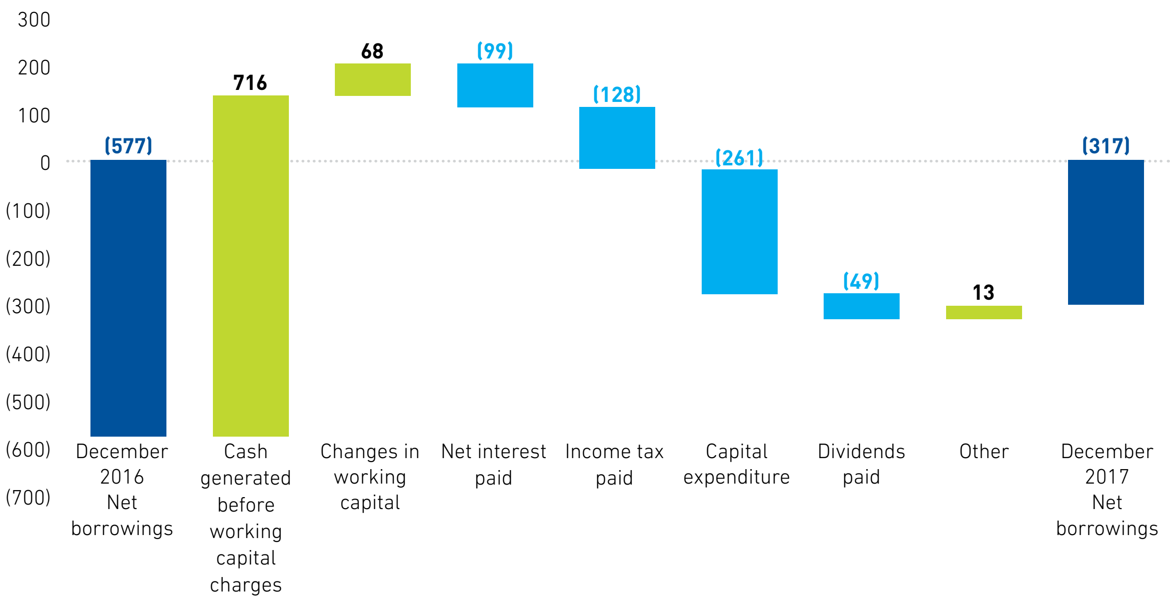
The group does not hedge these exposures and its profits are therefore impacted by currency levels on its conversion margins net of foreign denominated costs. Although volatile during the current financial year the Rand traded on average 10% stronger than the previous financial year placing some pressure on converted rand earnings in a market where margins are under pressure.

ALUMINIUM PURCHASES AND SALES (METAL PRICE AND CURRENCY RISK)

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

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

Cash flow for the year ended 31 December 2017 (R million)



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

The group decided, based on increased market volatility ahead of the ANC elective conference, to reduce its level of hedging of the currency risk exposure on the metal lag to 50%, in order to avoid undue cash flow volatility.

The unhedged fluctuation in the US Dollar aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits. During the current financial year the group made a pre-tax gain of R150 million from metal price lag (2016: R50 million). This net gain was made up of dollar denominated gains on the purchase and subsequent sale of metal offset by losses on derivative instruments. The related currency losses, arising from the stronger Rand/Dollar exchange rate, on the aluminium price lag were fully hedged out in accordance with Hulamin's policy.

FOREIGN DENOMINATED RECEIVABLES, PAYABLES AND IMPORT TRANSACTIONS (CURRENCY RISK)

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

INTEREST RATE RISK

The group is exposed to interest rate risk with respect to its borrowings which carry variable rates. Interest payments of R99 million were 3% lower than that incurred in the prior year (including interest capitalised of R21 million). Due to some operational disruptions in the Hulamin's Pietermaritzburg casting operation in the first half, borrowings increased significantly as working capital grew to buffer the rolling operations. This was remedied during the second half which, together with sustainable improvements in Hulamin's cash conversion cycle, offset the impact of the higher price of aluminium, and led to a sharp reduction in net borrowings in the fourth quarter to R317 million at 31 December 2017.

COST INFLATION

Cost inflation in large cost categories such as energy and manpower have continued to outpace official measures of inflation, however, Hulamin achieved significant baseline manufacturing cost reductions in the first year of its cost transformation programme. These reductions in cost offset the impact of inflation and resulted in a 4% improvement in the group's unit conversion costs in nominal terms.

MATERIAL ITEMS

IMPAIRMENT ASSESSMENT OF ROLLED PRODUCTS ASSETS

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

A full value in use computation was performed at the balance sheet date and no adjustment to the carrying value of assets was indicated. Full details are provided in note 5.3 to the financial statements and the determination was reviewed by the company's external auditors. Key sensitivities are explained in the note and the Rand/US Dollar exchange rate assumed is a key determinate of the value in use of the assets due to the impact of the exchange rate on profitability. The valuation assumed a rise in the average Rand/US Dollar exchange rate from R12,96 in 2018 to R14,64 in 2022.

ACCOUNTING POLICIES

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

During the year, the group adopted the amendments to IAS 7 "Cash flow statements". The adoption of this standard has impacted certain disclosures. The adoption of amendments to other standards has not had a material impact on the group.

The group has assessed the impact of IFRS 9 "Financial instruments" and IFRS 15 "Revenue from contracts with customers", which will come into effect for the year ending 31 December 2018. The application of these standards will not have a material impact on Hulamin's 2018 financial statements.

GOING CONCERN

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

CONCLUSION

Notwithstanding the adverse impact of the stronger Rand and the rising LME aluminium price on Hulamin's cash flows, a record production performance, together with the impact of a focused cost optimisation programme, sustainable working capital improvements and prudent management of capital expenditure, resulted in the generation of R296 million free cash flow in 2017.

This permitted a decrease in Hulamin's net borrowings to R317 million, representing a gearing level of 7%, which places Hulamin in a strong position from which to execute its medium-term strategic objectives.

GOVERNANCE AND REMUNERATION

5

BOARD COMMITTEES

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

KING IV CODE APPLICATION

The Institute of Directors in Southern Africa released the King IV Report on Corporate Governance for South Africa, 2016 (King IV) on 1 November 2016, which is effective for financial years from 1 April 2017. Hulamin has adopted the new code and this report therefore addresses all the principles of King IV, save for principle 17 as this relates to institutional investor companies.

1. LEADERSHIP, ETHICS AND CORPORATE CITIZENSHIP

1.1 LEADERSHIP

Principle 1: The governing body should lead ethically and effectively.

The primary mission of the Hulamin board of directors ("the Board") is to ensure that Hulamin acts responsibly in pursuit of its business goals in a manner which balances the interests of all stakeholders.

The Board views the implementation of good corporate governance practices as integral to its business and recognises the importance between effective governance, sustainable organisational performance and creating long-term value for all stakeholders. The Board is committed to act in good faith and in the best interest of the organisation, to act ethically and to maintain the highest standards of good governance in order to promote quality decision-making and the execution thereof. The directors as set out in the director's code of conduct are required to comply with two overriding standards of diligence (duties of care and skill) and good faith (fiduciary duties). As a steward of the company each director of Hulamin also needs to discharge the following moral duties:

Conscience: a director needs to act with intellectual honesty and independence of mind in the best interest of the company and all its stakeholders, set the tone for an ethical organisational culture and ensure that the organisation does not adversely affect the natural environment, society and future generations.

Inclusivity: of stakeholders to achieve sustainability and the interests of stakeholders must be taken into account in decision-making and strategy.

Competence: a director should have the knowledge and skills required for governing a company effectively and continually develop this competence.

Commitment: a director should be diligent in performing his/her duties and devote sufficient time to company affairs.

Courage: a director should also have the courage to act with integrity in all Board decisions and activities and to take the risks associated with directing a successful sustainable business as well as taking responsibility for the prevention of any negative outcomes.

The Board assumes collective responsibility for steering and setting the direction of Hulamin as detailed in the roles and responsibilities of the Board as set out in the Board Charter which was updated with reference to King IV and adopted by the Board. Members of the Board are committed to transparency, accountability, fairness, integrity and ethical leadership.

In 2017 all directors were encouraged to complete the code of ethics training module made available to Hulamin employees. The evaluation of the ethical performance and corporate leadership of the Board forms part of the board and director performance evaluations which are currently performed on an annual basis.

1.2 ORGANISATIONAL ETHICS

Principle 2: The governing board should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.

Hulamin has adopted a Code of Ethics which has been actively endorsed by the Board and distributed to all employees in the group and is made available on both the group intranet ("Hulanet") and on the Hulamin website as well as related policies such as the policy guidelines on fraud, theft, corruption and other unethical behaviour. The Code of Ethics requires all employees and directors of the group 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 is designed to raise ethical awareness, act as a guide to day-to-day decisions and to assure customers, suppliers and other stakeholders of the group's commitment to ethical behaviour.

An important element of the employee induction process is to communicate to new employees the Code of Ethics, the group's core values and its compliance procedures. Compliance with the Code of Ethics is included in contracts of employment. Compliance by all employees with the high moral, ethical and legal standards of the Code of Ethics is mandatory, and if employees become aware of, or suspect, a contravention of the Code of Ethics, they must promptly and confidentially report it in the prescribed manner.

The Code of Ethics for employees and the Code of Conduct for Suppliers and Service Providers which is made available to suppliers and service providers is approved by the Transformation, Social and Ethics Committee ("TSEC"), which also oversees the embedding of the Code of Ethics and reporting. In 2017, an updated conflict of interest and gift policy for employees was adopted and the ongoing training of employees on the Code of Ethics was a key action. The continued roll-out of this training remains a focus for 2018.

Appropriate action is taken in respect of all reported instances of non-compliance with the Code of Ethics and Code of Conduct for Suppliers and Service Providers.

WHISTLE-BLOWING

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

Contact details of the Vuvuzela Fraud and Ethics Lines are as follows:

Toll-free number: 080 225 5 688
Toll-free facsimile: 080 000 7788
Email: Hulamin@tip-offs.com
Website: www.tip-offs.com

All fraud and theft matters are reported to the Audit Committee and TSEC. There were no significant frauds or thefts during the report period. No material matters were reported to the committees during the reporting period.

1.3 RESPONSIBLE CORPORATE CITIZEN

Principle 3: The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.

The Board has delegated to the TSEC the responsibility to oversee corporate citizenship by setting the direction for how it should be approached and it oversees the implementation thereof. The primary objective of TSEC is to lead the formulation and articulation of Hulamin's transformation, B-BBEE strategy, social and ethics strategy, to align this with the overall business strategy of Hulamin, to assist and advise on the setting of targets and to review the progress in achieving those targets. Further, *inter alia,* TSEC and the Risk and Safety, Health and Environment ("SHE") Committee assist the Board to ensure Hulamin is seen to be a responsible corporate citizen and to ensure that Hulamin's impact on the economy (including economic transformation, prevention, detection and response to fraud and corruption), the society (including employee and contractor health and safety, consumer protection and protection of human rights) and the environment (including responsibilities in respect of pollution and waste disposal) is sustainable. Further key responsibilities of TSEC are to oversee the general compliance with labour and employment law including the Bill of Rights.

TSEC also oversees initiatives to promote equality, to prevent unfair discrimination and to contribute to the development of the communities in which Hulamin's activities are predominately conducted, as well as sponsorships and donations.

Further reporting on the activities of TSEC and reporting on the above matters are set out on page 84 of this report and in the Sustainability Report available on Hulamin's website at www.hulamin.co.za.

Planned areas of future focus include the refinement of environmental sustainability measures and targets and to address action items arising from the supplier engagement survey conducted in 2017.

2. STRATEGY, PERFORMANCE AND REPORTING

2.1 STRATEGY AND PERFORMANCE

Principle 4: The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.

A key responsibility of the Board as set out in its Charter is to delegate to management the formulation of Hulamin's strategy and at the annual Board strategic workshop where the proposed strategy is considered by the Board, management is challenged with reference, *inter alia,* to the timelines and key performance measures to give effect to the strategy, the key risks and opportunities identified, the key resources and relationships connected to the various forms of capital, the interests of all stakeholders, the transformation initiatives and the inter-independence of the above.

The Board has also delegated to management the responsibility to implement and execute the approved policies and operational plans. A Board business plan workshop is typically held in October of each year where the Board considers the medium to long-term business plan of the group and the related key performance measures, as well as the projected financial performance of the business and the proposed hedging and funding strategy.

The strategy and the business plan, including key performance measures and targets, are approved at Board meetings. The Board actively monitors performance against all the targets.

Further information of the business, strategic leadership and value creation is set out on pages 32 to 71 of this report.

2.2 REPORTING

Principle 5: The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisations performance, and its short, medium and long-term prospects.

In developing the integrated report for Hulamin, the Board is guided by the International Integrated Reporting Framework, the King IV Report on Corporate Governance, the JSE Listings Requirements and the Companies Act, No 71 of 2008, as amended, and the Companies Regulations. This report includes, *inter alia,* information relative to an overview of Hulamin, the business in context, strategic leadership, value creation, performance management, financial statements and shareholder information.

The Board has delegated to the Audit Committee the responsibility to oversee the reporting of all financial infrastructure, and any other information, which together constitute Hulamin's integrated reporting, prior to its approval by the Board. The Audit Committee responsibilities, *inter alia,* also include recommending to the Board for approval how assurance should be approached to ensure the integrity of external reports, such as those related to material sustainability issues and financial results. In this regard the Audit Committee takes into account the legal requirements in relation to assurance. Hulamin's website is used, *inter alia,* to report to stakeholders its integrated reports, annual financial statements and newsworthy items also released on the Stock Exchange News Service.

KING IV CODE APPLICATION CONTINUED

3. GOVERNING STRUCTURES AND DELEGATION

3.1 PRIMARY ROLE AND RESPONSIBILITIES OF THE GOVERNING BODY

Principle 6: The governing body should serve as the focal point and custodian of corporate governance in the organisation.

The Board's primary role and responsibilities as set out in its approved Board Charter which is reviewed as and when required include:

- Approving corporate strategy, including business plans and budgets and to bring independent, informed and effective judgement and leadership to bear on the material decisions of the company.
- Overseeing and monitoring management's implementation of the approved strategies and business plans and budgets.
- Ensure accountability for the group's performance by means of, among others, reporting and disclosure.

The Board Charter also highlights the role of the Board as the custodian of corporate governance, and addresses the fiduciary duties and responsibilities of the Board and directors. It also sets out the procedures to be followed in the event Board members or Board committee's need to obtain independent, external professional advice, and the procedures to be followed by non-executive Board members for access to senior staff and the books and records of Hulamin, to enable them to make competent decisions about the affairs of Hulamin.

An annual Board plan is in place to assist the Board to fulfil its responsibilities in accordance with the Board Charter.

The Board is satisfied that it has done so relative to the 2017 reporting period.

3.2 COMPOSITION OF THE GOVERNING BODY

Principle 7: The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.

BOARD COMPOSITION

Hulamin has a unitary Board structure which at 31 December 2017 comprised of 12 non-executive directors, of whom 10 are independent, two of whom are non-executive directors and one alternative non-executive director and three executive directors (which includes the CEO and CFO), drawn from a broad spectrum of business.

THE BOARD AT A GLANCE

	Year of appointment	Age	Audit	Risk and SHE*	Remuneration and Nomination	TSE^	Chairman's Committee
Independent non-executive directors							
ME Mkwanazi (Chairman)	2007	63		Member	Member		Chairperson
CA Boles	2016	48			Member		
LC Cele[1]	2007	63	Member			Chairperson	
RL Larson[2]	2017	62					
TP Leeuw	2007	54	Chairperson	Member			Member
N Maharajh	2016	51	Member				
NNA Matyumza	2010	54	Member		Chairperson		Member
Dr B Mehlomakulu	2016	45					
AT Nzimande[2]	2017	47				Member	
PH Staude	2007	64		Chairperson			Member
GHM Watson	2011	66		Member	Member		Member
Non-executive directors							
VN Khumalo[3]	2006	55				Chairperson	Member
SP Ngwenya	2007	64				Member	
GC Zondi (Alternate)	2016	44					
Executive directors							
RG Jacob (CEO)	2010	52		Member		Member	
AP Krull (CFO)	2016	43		Member			
MZ Mkhize	2007	56		Member			

Directors' ages are quoted as at 31 December 2017.

* *Safety, Health and Environment.*
^ *Transformation, Social and Ethics.*
1 *LC Cele resigned 30 April 2017.*
2 *RL Larson and AT Nzimande appointed 1 April 2017.*
3 *VN Khumalo became Chairperson with effect from 1 May 2017. Prior to this period he was a member.*

Collectively the directors have a wide array of skills, knowledge and experience, and bring independent judgement to Board deliberations and decisions, and with no one individual or group having unfettered powers of decision-making. The Board is satisfied that its composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence. The Board has adopted a Gender and Race Diversity Policy with set targets in accordance with the JSE Listings Requirements and which were taken into consideration in addressing the Board succession plan.

The voluntary target for female representation on the Board of Hulamin by the end of 2018, is a range of 25% to 40%. At the end of December 2017 three board members of the 15 were female (20%).

The voluntary race targets by the end of 2018 assuming a board complement of 14 members are as follows:

African: 50% (seven directors), Indian/Coloured's: 15% (two directors), Whites: 35% (five directors).

As at the end of December 2017 there were eight Africans, one Indian, and six White directors.

CHANGES TO THE BOARD IN 2017

LC Cele resigned on 30 April 2017 after having served on the Board for more than nine years, whilst AT Nzimande and RL Larson were appointed with effect from 1 April 2017.

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

BOARD PRACTICE

The role of the Chairman (ME Mkwanazi), and that of the Chief Executive Officer (RG Jacob), are separate with a clear division of responsibilities as set out in the Board Charter.

DIRECTOR ROTATION AT ANNUAL GENERAL MEETING

In accordance with the company's Memorandum of Incorporation, executive directors in addition to non-executive directors are subject to retirement by rotation at intervals of three years and may be re-elected at the AGM at which they retire. Newly appointed directors may hold office until the next AGM, where their appointments are required to be ratified and they will be required to retire and offer themselves for election. Retiring at the next AGM by rotation are NNA Matyumza, SP Ngwenya, RG Jacob, VN Khumalo and PH Staude and who, being eligible and available, will seek re-election as directors. The Remuneration and Nomination Committee have assessed each of the retiring directors and the Board unanimously recommend their re-election.

New appointments in 2017 who were also assessed by the Remuneration and Nomination Committee, will also be seeking re-election as directors at the AGM. The Board confirms its support of their standing for re-election. There are no term contracts of service between any of the directors and Hulamin.

BOARD SUCCESSION PLANNING

A Board succession review process commenced in 2016 as part of a structured plan to appoint new non-executive directors. A Board composition expert was appointed to assist the Board in mapping the skills and experience necessary to meet the needs of the stakeholders, shareholders, the Board and its committees. This process was completed by the end of March 2017.

NOMINATION, ELECTION AND APPOINTMENT OF MEMBERS

A formal and transparent process is in place for nomination, election and appointment of members to the Board. The nomination of candidates for election as members is recommended by the Remuneration and Nomination Committee for approval by the Board. Matters such as member's performance and attendance at meetings is considered by the Board in nominating members for re-election. Candidates for election as non-executive directors provide confirmation that they have sufficient time available to fulfil the responsibilities of a member of the Board. Candidate's background and qualifications are independently verified prior to their nomination. A brief profile of the directors retiring and standing for re-election at the 2018 AGM is included in the AGM notice. All newly appointed directors receive a letter of appointment and follow an appropriate induction programme. Members of the Board are provided with relevant articles and presentations to enhance their level of professional development.

INDEPENDENCE AND CONFLICTS

Directors' responsibilities relative to conflicts of interest and the pro-active monitoring thereof are dealt with in the Board Charter and directors' Code of Conduct. Directors' general disclosure of interest is considered at least annually by the Board, and whenever there are significant changes. Conflicts of interest are considered at Board and committee meetings. The requirements of, *inter alia,* King IV are considered in assessing the independence of non-executive directors on an annual basis.

In terms of the Board Charter a non-executive director may continue to serve, in an independent capacity, for longer than nine years if, upon assessment by the Board conducted every year after nine years, it is concluded that the non-executive director exercises objective judgement and there is nothing when judged from the perspective of a reasonable and informed third party, that is likely to influence unduly or cause bias in decision-making. The independent classification of all Board members was considered by the Board.

BOARD CHAIRMAN

The appointment and performance of the Board chairman is reviewed annually. The current Board chairman, ME Mkwanazi, has indicated that he will resign at the 2018 AGM after having served as Board chairman for more than 10 years. A process to appoint a successor to ME Mkwanazi was addressed by the Remuneration and Nomination Committee and following a recommendation of the committee, the Board resolved to appoint TP Leeuw as Board chairman with effect from the 2018 AGM.

TP Leeuw has confirmed that he will have adequate capacity and time to serve as chairman of the Board despite his outside positions and commitments. Following an independent assessment review of TP Leeuw, the Board was not able to flag any matter of concern regarding the classification of TP Leeuw as an independent non-executive director considering the King IV guidelines and despite him serving on the Board of Hulamin for more than nine years.

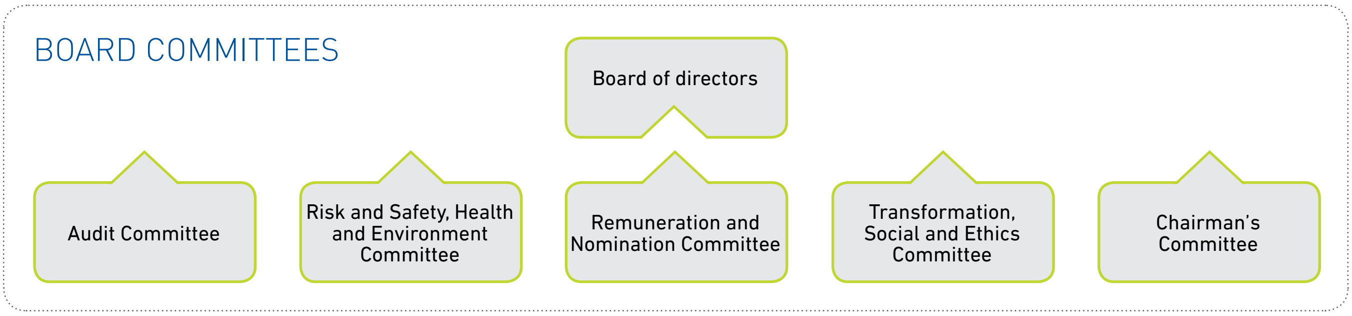
The Board further concluded that currently there was no need to appoint a lead independent non-executive director. If and when required, the Board may consider the appointment of a lead independent non-executive director.

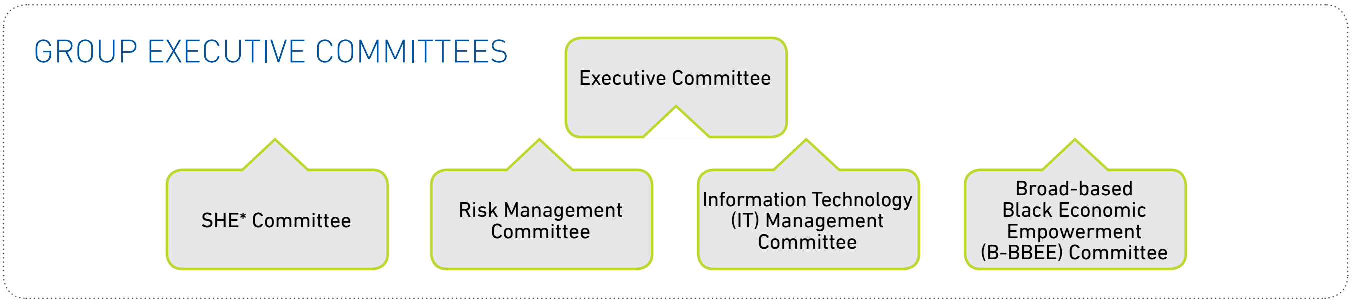
Following his appointment as Board chairman, TP Leeuw will resign as chairman of the Audit Committee. The Board resolved to nominate N Maharajh as chairman and CA Boles as a member of the Audit Committee with effect from the 2018 AGM. Further changes to the composition of Board Committees will be considered in 2018 considering the change to the Board chairman position.

BOARD AND BOARD COMMITTEE ATTENDANCE REGISTER

	Board		Audit		Risk and SHE*		Remuneration and Nomination		TSE^		Chairman's Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Independent non-executive directors												
ME Mkwanazi	7	7			3	3	4	4	3	2#	5	5
CA Boles	7	7	5	4#			4	3			5	5#
L Cele[1]	3	2	1	1							3	2
RL Larson[2]	5	5										
TP Leeuw	7	7	5	5	3	3					5	4
N Maharajh	7	7	5	5								
NNA Matyumza	7	5	5	3			4	4			5	4
Dr B Mehlomakulu	7	5										
AT Nzimande[2]	5	5							3	3		
PH Staude	7	5			3	3					5	2
GHM Watson	7	7			3	2	4	4			5	5
Non-executive directors												
VN Khumalo	7	7	5	4#					3	3	2	1
SP Ngwenya	7	5							3	3		
GC Zondi (Alternate)	7	1										
Executive directors												
RG Jacob (CEO)	7	7			3	3	4	4#	3	3	5	5#
AP Krull (CFO)	7	7	5	5#	3	3			3	2#	5	5#
MZ Mkhize	7	6			3	3						

* *Safety, Health and Environment.*
^ *Transformation, Social and Ethics Committee.*
A *Indicates the number of meetings held during the year while the director was a member of the Board and/or committee.*
B *Indicates the number of meetings attended during the year while the director was a member of the Board and/or committee.*
[1] *LC Cele resigned 30 April 2017.*
[2] *RL Larson and AT Nzimande appointed 1 April 2017.*
Attendance by invitation.





3.3 COMMITTEES OF THE BOARD

Principle 8: The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with the balance of power and the effective discharge of duties.

GOVERNANCE STRUCTURE – BOARD COMMITTEE'S

General

The Board has mandated the following committees, an Audit Committee, a Risk and SHE Committee, a Remuneration and Nomination Committee, a TSEC, and a Chairman's Committee, each with Board approved terms of reference, to support it in the execution of its governance responsibilities. This delegated responsibility, however, does not reduce the individual and collective responsibilities of Board members. These terms of reference are subject to an annual review and they include, *inter alia*, the composition of the committee, the overall role and responsibilities of the committee, delegated authority, the tenure of the committee, reporting requirements, procedures to access resources and information, meeting procedures and procedures to evaluate performance of the committee.

The Remuneration and Nomination Committee addresses the composition of Board Committees for approval by the Board so that it has the necessary knowledge, skills, experience and capacity to execute its duties effectively. Directors may attend committee meetings which they are not members of as an invitee, subject to the consent of the chairman of the committee. In such cases they may not vote on any matter decided upon by the committee. There is full disclosure of matters handled by a committee to the Board. Committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. The core responsibilities of the Board and group Executive Committees are set out on pages 82 to 87 of this report. The respective Board Committees are satisfied that they have fulfilled their responsibilities in accordance with their respective terms of reference in 2017.

3.4 EVALUATION OF THE PERFORMANCE OF THE GOVERNING BODY

Principle 9: The governing body should ensure that the evaluation of its own performance and that of its committees, its chair and its individual members, support continued improvement in performance and effectiveness.

A formal annual evaluation process of the Board collectively and of the directors individually, the chairman, the Board Committees, the CEO and of the company secretary is addressed. This typically involves the completion of evaluation questionnaires when performed internally, whilst when they are externally facilitated one-on-one interviews are also held with the directors and the company secretary. External facilitated evaluations are typically done every three years. The Board is of the opinion that the evaluation process does uplift the performance and effectiveness of the Board and this is evident in the relative high scores achieved.

No major areas of concern were raised relative to the 2016 evaluation process considered by the Board in February 2017. It was noted that the Board in 2016 and 2017 was in a transition phase with several new appointments as some long-serving directors resigned.

3.5 APPOINTMENT AND DELEGATION TO MANAGEMENT

Principle 10: The governing body should ensure that the appointment of and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.

3.5.1 CEO APPOINTMENT AND ROLE

The Remuneration and Nomination Committee recommends and the Board approves the appointment of the CEO and executives. The Remuneration and Nomination Committee and the Board also ensures and reviews the succession plan for the CEO and executives on a periodic basis.

KING IV CODE APPLICATION CONTINUED

The roles and responsibilities of the CEO are detailed in the Board Charter.

The CEO's membership and professional commitments outside of Hulamin are monitored by the chairman.

3.5.2 DELEGATION

The Board has approved an authorities framework which sets out the powers it reserves for itself and those delegated to management. The CEO is responsible for executing the Board approved strategy and business plans and ensuring that the authorities framework for delegation of authority to management is adhered to. The Board is of the opinion that the authorities framework contributes to role clarity.

3.5.3 PROFESSIONAL CORPORATE GOVERNANCE SERVICES TO THE GOVERNING BODY

Company secretary

The Board has considered and is satisfied that the company secretary is appropriately qualified, competent and experienced for his position in a listed company. 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 and 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 Hulamin.
- 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 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, appointment and remuneration of the company secretary would be a matter for the Board as a whole as set out in the authorities framework.

4. GOVERNANCE FUNCTIONAL AREAS

4.1 RISK GOVERNANCE

Principle 11: The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.

The Board assumes overall responsibility for risk in the group. It has delegated the oversight of risk management to the Risk and SHE Committee. Refer to pages 40 to 47 for more detail on the group's risk management approach and governance. The SHE Committee and the Risk Management Committee reports to the Risk and SHE Committee.

4.2 TECHNOLOGY AND INFORMATION GOVERNANCE

Principle 12: The governing body should govern technology and information in way that supports the organisation setting out achieving its strategic objectives.

The Board has delegated the responsibility for oversight of information technology and information management to the Audit Committee. The Information Technology Management Committee reports to the Audit Committee in this regard.

Systems, policies and procedures relative to information governance, the group's information technology security strategy, and a revised information technology strategy will be key focus areas in 2018 relative to technology and information governance.

4.3 COMPLIANCE GOVERNANCE

Principle 13: The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.

In terms of the group compliance framework, compliance with all material financial laws and regulations applicable to the group is overseen and reported on by the Audit Committee (i.e. the financial regulatory universe), whilst the TSEC oversees compliance governance relative to the labour regulatory universe. The Risk and SHE Committee assumes overarching responsibility for overseeing the group's compliance governance responsibilities and the legal regulatory universe (i.e. those laws and regulations not overseen by the Audit Committee and the TSEC). There is a comprehensive six-monthly report to the respective committee's from the compliance officer, which role is currently fulfilled by the company secretary. The report is compiled based on information received from each responsible executive assigned to each high risk compliance obligation.

During the reporting period the group was audited in terms of ISO 14001 international environmental standard and there were no major findings. A key area of focus during the reporting period was compliance with the Competition Act and the development of a Competition Act compliance framework.

Planned areas of future focus include addressing assurance on the effectiveness of the compliance governance framework. The group did not have any material or repeated regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations during the report period.

4.4 REMUNERATION GOVERNANCE

Principle 14: The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term.

The full remuneration report, including the remuneration policy and implementation report are set out on pages 88 to 99 of this report.

4.5 COMBINED ASSURANCE

Principle 15: The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisations external reports.

The Board is ultimately responsible for the assurance provided in the group. Management holds ultimate responsibility for the management of risks and internal controls. The Board delegates oversight over the effectiveness of the group's internal controls, risk management processes, integrity of information to the Audit Committee. Assurance is provided over the information reported both internally and externally by management, specialist function, internal audit, external auditors and other third-party assurance providers. To this end, the Audit Committee adopted an effective combined assurance framework, which has matured over the years in the optimisation of the assurance provided. A combined assurance map is used to map and report on the risk legislation, key operational and financial risks identified through the integrated group-wide risk management process.

Oversight of the assurance provided and the opinion on the internal control environment vest with the Audit Committee.

GROUP INTERNAL AUDIT

Internal audit's mission is to enhance and protect organisational value through providing independent and objective risk-based requisite assurance, advice, and insight. In so doing, internal audit assists the Board, through the Audit Committee, and management at all levels within the group, in the effective discharge of their responsibilities by reviewing the risk management, internal controls, and governance processes. Internal audit maintains dual reporting in the group structure, administrative reporting line to the CFO and a direct reporting line to the chairman of the Audit Committee where matters relating to internal audit are discussed directly and approved.

5. STAKEHOLDER RELATIONSHIPS

5.1 STAKEHOLDER RELATIONSHIPS

Principle 16: In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

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 Hulamin is adopted to strive for consistency and balance in treatment across stakeholder categories.

Hulamin communicates its strategy, performance and vision through regular presentations to investors, analysts, employees and other stakeholders. In addition, management regularly meets with investors and institutional stakeholders on a one-on-one basis. The Hulamin website (www.hulamin.co.za) is also used for this purpose. Hulamin invites all shareholders to attend its annual general meeting (AGM) and also facilitates participation by way of focused proxy solicitation. The results of the AGM are published on the Stock Exchange News Service. In the future, consideration will be given to the publication of the minutes of AGM's on the Hulamin website. All directors and the designated partner of the external audit firm typically attend the AGM. An overview of Hulamin's stakeholders and their material matters is provided on pages 28 and 29 of this report and is also dealt with in the separate Sustainability Report which can be viewed on Hulamin's website.

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.

5.2 RELATIONSHIPS WITHIN A GROUP OF COMPANIES

Hulamin Limited is an investment holding company with its single investment comprising Hulamin Operations Proprietary Limited. The group authorities framework, policies, processes or procedures approved by the Hulamin Board and committees thereof, as well as executive management relate to the group as a whole. Executive directors who participate in the approval of group policies, processes and procedures are also directors of group subsidiary companies.

CORPORATE GOVERNANCE

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.

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.

AUDIT COMMITTEE

CORE RESPONSIBILITIES

The responsibilities of the committee and details of the execution of the duties of the committee during the year under review are set out in the Report of the Audit Committee on pages 103 to 105.

Key areas of focus during the reporting period include the consideration of interim and annual financial statements, the appointment of internal auditors and an internal audit manager and the nomination of an external auditor for appointment at the 2018 AGM.

A key area of future focus will be to manage the transition in the change of external auditors and the restructure of the internal audit function.

CHAIRMAN

TP Leeuw (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

NNA Matyumza
LC Cele (Resigned with effect from 30 April 2017)
N Maharajh (Appointed with effect from 1 February 2017)

Note: *The members were re-elected at the annual general meeting held in April 2017.*

INVITEES

AP Krull (CFO)
CA Boles (independent non-executive director) with effect from 1 February 2017
VN Khumalo (non-executive director)

REPRESENTATIVES OF INTERNAL AND EXTERNAL AUDITORS

A Petticrew (Financial Manager)
L Ncoliwe (Head of Internal Audit)

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

SECRETARY

W Fitchat (Company Secretary)

RISK AND SHE* COMMITTEE

CORE RESPONSIBILITIES

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

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

Key areas of focus during the reporting period include actions to progress risk-based thinking at all levels of the business, to progress risk culture change management process, to review and progress strategic risks and to introduce operational/process risk management.

Key areas of future focus include progressing the integration of risk-based thinking via strategic risk scenarios, the embedding of a risk culture within the organisation and the automation of risk administration via the BarnOwl system.

**Safety, Health and Environment.*

CHAIRMAN

PH Staude (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

TP Leeuw
ME Mkwanazi
GHM Watson (Appointed with effect from 1 February 2017)

EXECUTIVE DIRECTORS

RG Jacob
MZ Mkhize
AP Krull

INVITEES

FB Bradford
C Fisher
HT Molale
BA Mngadi
M Reddy
I Smith
S Vally
DR Weisz

FREQUENCY OF SCHEDULED MEETINGS

Two meetings per annum

SECRETARY

W Fitchat (Company Secretary)

REMUNERATION AND NOMINATION COMMITTEE

CORE RESPONSIBILITIES

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

The Remuneration and Nomination Committee's key responsibilities are:

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

The chairman of the Board serves as chairman of the committee for nomination matters.

Key areas of focus during the report period include approval of the incentive bonus, key performance measures of the CEO and senior management, the long-term incentives and the salary increases. The committee also considered a revised long-term incentive scheme.

For further information on activities during the reporting period and key areas of future focus refer to the Remuneration Report on pages 88 and 89.

CHAIRMAN

NNA Matyumza (independent non-executive)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

CA Boles (Appointed with effect from 1 February 2017)
ME Mkwanazi (Chairman of Nomination agenda items)
GHM Watson

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

INVITEES

RG Jacob (CEO)
MA Janneker (Group Executive: Human Capital)

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

SECRETARY

W Fitchat (Company Secretary)

CORPORATE GOVERNANCE CONTINUED

TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE

CORE RESPONSIBILITIES

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

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

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

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

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

CHAIRMAN

LC Cele (independent non-executive)
(Resigned with effect from 30 April 2017)
VN Khumalo (non-executive director)
(Appointed with effect from 1 May 2017)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTOR

AT Nzimande (Appointed with effect from 1 June 2017)

NON-EXECUTIVE DIRECTOR

SP Ngwenya

EXECUTIVE DIRECTOR

RG Jacob (CEO)

GROUP EXECUTIVE

BA Mngadi (Group Executive: Corporate Affairs)

INVITEES

C Fisher (Group Executive: Strategy and Supply Chain)
MA Janneker (Group Executive: Human Capital)
AP Krull (CFO)
ME Mkwanazi (independent non-executive director)

FREQUENCY OF SCHEDULED MEETINGS

Two meetings per annum

SECRETARY

W Fitchat (Company Secretary)

CHAIRMAN'S COMMITTEE

CORE RESPONSIBILITIES

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

The Chairman's Committee key responsibilities are:

- Address matters relating to governance or relationships and dynamics within the Board.
- Progress specific strategic projects.

Key areas of focus during the reporting period addressed strategic projects and procurement governance matters.

Key areas of future focus will be to progress specific strategic projects.

CHAIRMAN

ME Mkwanazi (independent non-executive director)

COMPOSITION

INDEPENDENT NON-EXECUTIVE DIRECTORS

LC Cele (Resigned with effect from 30 April 2017)
TP Leeuw
NNA Matyumza
PH Staude
GHM Watson

NON-EXECUTIVE DIRECTOR

VN Khumalo (Appointed with effect from 1 May 2017)

INVITEES

RG Jacob (CEO)
AP Krull (CFO)
CA Boles (non-executive director)

FREQUENCY OF SCHEDULED MEETINGS

As and when required

SECRETARY

W Fitchat (Company Secretary)

The group has a number of executive committees consisting of executive directors and other senior executives, with formal terms of reference:

- **Executive**
- **Broad-based black economic empowerment (B-BBEE)**
- **Risk management**
- **Information technology (IT) management**
- **Safety, health and environment**

EXECUTIVE COMMITTEE

CORE RESPONSIBILITIES

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

The Executive Committee's key responsibilities are:

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

Key areas of focus during the reporting period include revised performance reporting dashboards and the reporting on key strategic projects.

Key areas of future focus include the execution of the business plan and strategic plan approved by the Board.

CHAIRMAN

RG Jacob

COMPOSITION

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

CURRENT MEMBERS

FB Bradford	MZ Mkhize
C Fisher	BA Mngadi
MA Janneker	HT Molale
AP Krull	DR Weisz

EXTENDED EXECUTIVE COMMITTEE MEMBERS

R Green-Thompson
I Smith
M Reddy

INVITEES

P Xaba
M Maku
C Stewart
Z Gumede
S Vally

FREQUENCY OF SCHEDULED MEETINGS

11 meetings per annum

SECRETARY

W Fitchat (Company Secretary)

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

CORE RESPONSIBILITIES

The Hulamin B-BBEE Committee reports to the Transformation, Social and Ethics Committee on the six elements of the B-BBEE scorecard, which are:

- Ownership;
- Management control;
- Employment equity;
- Skills development;
- Preferential procurement;
- Enterprise development; and
- Socio-economic development.

The B-BBEE Committee's key responsibilities are:

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

Key areas of focus during the reporting period include oversight of initiatives to improve B-BBEE scorecard rating, actions to achieve employment equity targets and to address strategic empowerment projects.

The above remains key areas of future focus.

CHAIRMAN

RG Jacob

COMPOSITION

MA Janneker	M Reddy	E Jonker
AP Krull	I Smith	S Khosa
C Fisher	C Vally	HT Molale
BA Mngadi	M Maku	DR Weisz
R Green-Thompson	C Stewart	P Xaba
M Sedibe	FB Bradford	Z Gumede

FREQUENCY OF SCHEDULED MEETINGS

Four meetings per annum

SECRETARY

L Sililo (Human Resource Operations Manager)

RISK MANAGEMENT COMMITTEE

CORE RESPONSIBILITIES

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

The Risk Management Committee's key responsibilities are:

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

Key areas of focus during the reporting period include the embedding of risk-based thinking at all levels of the business, monitoring of the risk change management plan, the introduction of operational and process risk management, and the review and progress monitoring of strategic risks.

The above remains key areas of future focus.

CHAIRMAN

AP Krull

COMPOSITION

FB Bradford	HT Molale
C Fisher	BA Mngadi
RG Jacob	I Smith
MA Janneker	DR Weisz
MZ Mkhize	M Reddy

INVITEES

Z Gumede
R Green-Thompson
S Vally
C Stewart
P Xaba
M Maku
L Farquharson

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

SECRETARY

W Fitchat (Company Secretary)

** Safety, Health and Environment.*

INFORMATION TECHNOLOGY (IT) MANAGEMENT COMMITTEE

CORE RESPONSIBILITIES

The IT Management Committee's key responsibilities are:

- Ensure that an IT governance charter and policies are established and implemented.
- Promote an ethical IT governance and management culture.
- Provide leadership and direction to ensure that the IT function achieves, sustains and enhances the company's strategic objectives.
- Ensure that an IT governance framework is adopted and implemented and that the Board via the Audit Committee receives independent assurance on the effectiveness thereof.
- Ensure that the IT strategy is integrated within the company's strategic and business processes.
- Ensure there is a robust process in place to identify and exploit appropriate opportunities to improve the performance and sustainability of the company.
- Oversee management who is responsible for the implementation of all the structures, processes and mechanisms to execute the IT governance framework.
- Ensure the company obtains independent assurance on the governance of IT, and that adequate controls are in place for outsourcing IT services.
- Ensure IT legal risks are addressed.
- Ensure that there are systems in place for the management of information assets.
- Ensure that the information security strategy is successfully implemented.
- Ensure operational stability, systems development, support and enhancements.
- Improving network capacity.
- Ensure that there are systems in place for personal information to be treated by the company as an important business asset and that all personal information that is processed by the company is identified.
- Ensure appropriate reporting to the Executive Committee and to Board Committees.

Key areas of focus during the reporting period include an overview of the arrangements for governing and managing technology and information.

The above remains key areas of future focus.

CHAIRMAN

AP Krull

COMPOSITION

FB Bradford	A Petticrew
H de Villiers	M Reddy
C Fisher	I Smith
T Hawkins	L Steenkamp
Y Moodley	M Webb

FREQUENCY OF SCHEDULED MEETINGS

Six meetings per annum

SECRETARY

D Seager (Senior IT Manager)

SAFETY, HEALTH AND ENVIRONMENT COMMITTEE

CORE RESPONSIBILITIES

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

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

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.

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.

CHAIRMAN

M Reddy

COMPOSITION

FB Bradford	H de Villiers
BA Mngadi	R Green-Thompson
HT Molale	P Grobler
M Ramdeen	MA Janneker
AP Krull	DR Weisz
PM Lancaster	R Venkatsami
MZ Mkhize	

FREQUENCY OF SCHEDULED MEETINGS

Three meetings per annum

SECRETARY

D Jackson (Chemist and Environmental Specialist)

REMUNERATION REPORT

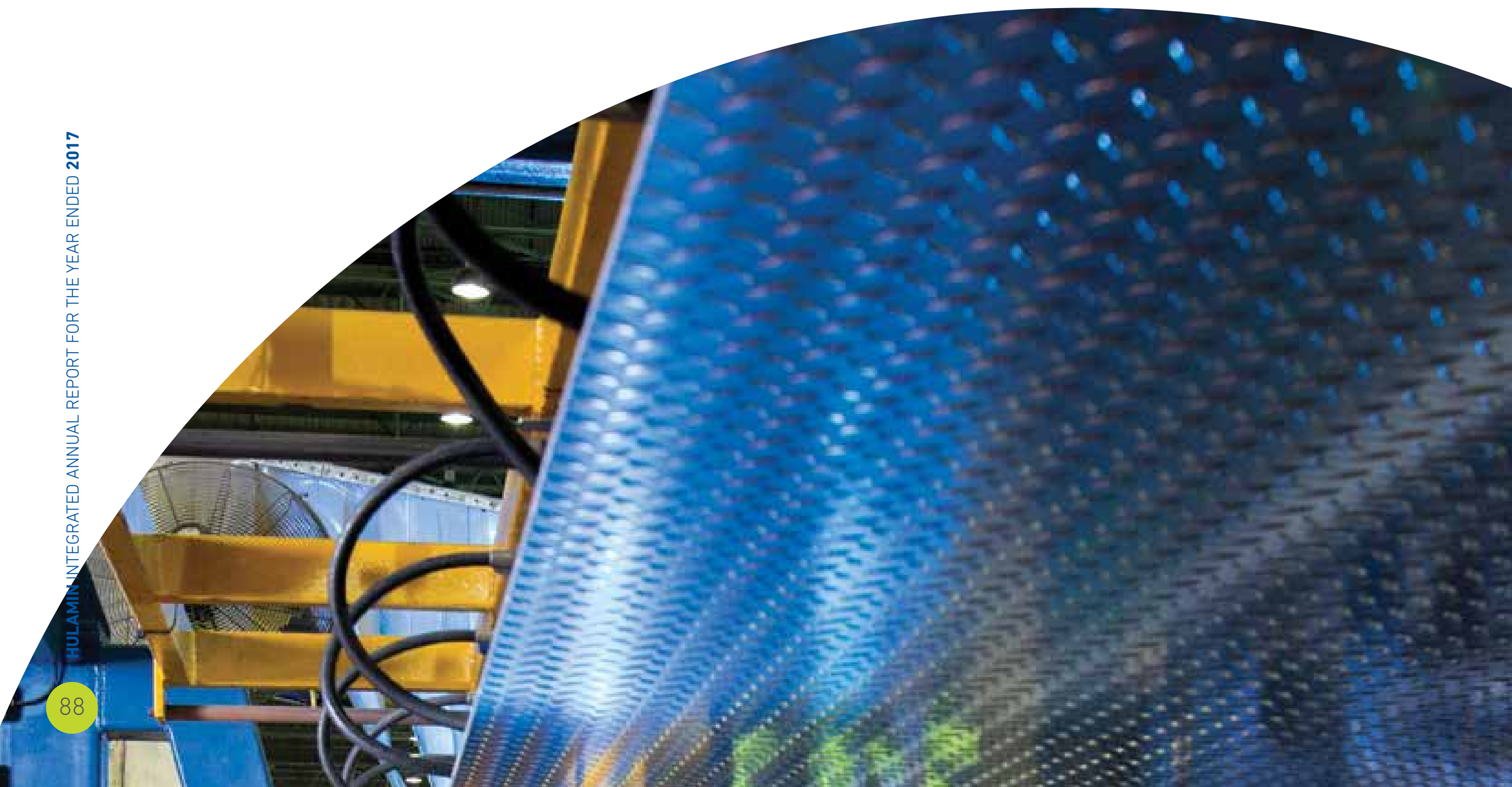
Nomgando Matyumza
Chairman, Remuneration Committee

PART A: THE CHAIRPERSON'S STATEMENT

DEAR SHAREHOLDERS

It is with pleasure that I present to you the remuneration report for the 2017 financial year ("FY") on behalf of the Remuneration and Nomination Committee ("Remco"). The purpose of this report is to provide the stakeholders with a detailed summary of the organisation-wide philosophy and policy pertaining to remuneration at Hulamin Limited ("Hulamin" or the "company"). In accordance with Hulamin's dedication to being a responsible corporate citizen, this report has been aligned to follow best practice reporting standards incorporating the King IV Report on Corporate Governance ("King IV") and the Johannesburg Stock Exchange ("JSE") Listings Requirements.

Despite difficult market conditions, the volatile South African currency and a two-week shut on a number of production lines for routine upgrades, Hulamin delivered a strong manufacturing performance and stong cash flows with an overall increase in the volume of sales.



STANDARD ACTIVITIES

- Approved inflation related salary adjustments based on consideration of the market, company and individual performance.
- Reviewed the short-term incentive and long-term incentive policies with a view to making improvements from 2018 to the long-term schemes.
- Reviewed NED fees to be approved by shareholders.
- Reviewed and approved the updated FY2017 remuneration report.
- Reviewed the committee's terms of reference.
- Nominated non-executive directors for appointment to the Board.

KEY ACTIVITIES DURING FY2017

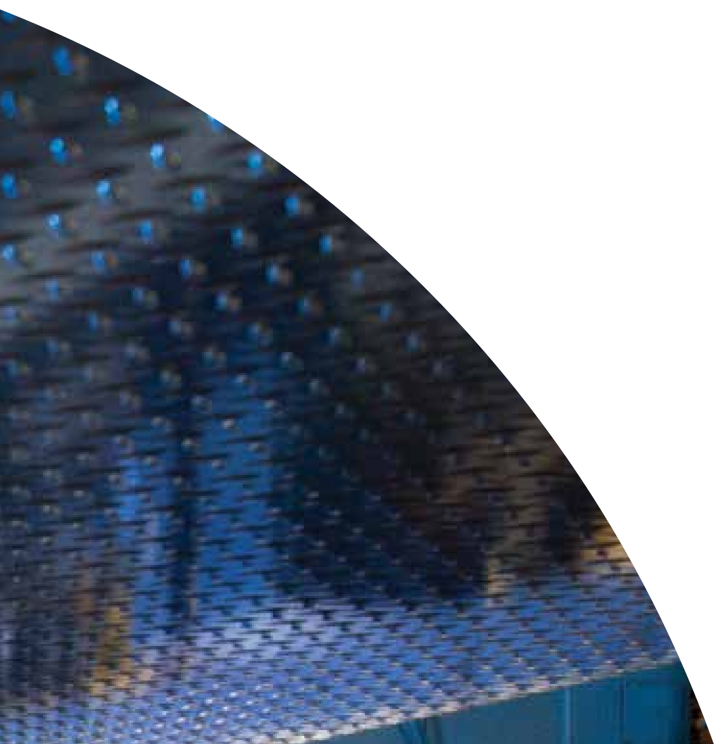
During FY2017, in addition to its normal responsibilities, the Remco was faced with challenging policy changes, particularly in relation to the introduction of new corporate governance principles and amended JSE Listings Requirements.

In certain instances, the Remco has obtained the support, advices and opinions of PwC as an additional resource and as external advisors on various remuneration-related matters. The Remco is satisfied with PwC's contribution in that they acted independently and objectively at all times when offering their services to Hulamin.

OUR VISION FOR ONGOING IMPROVEMENTS

Issues around executive remuneration, disparities in pay and transparent disclosure remain controversial topics in South Africa. Being aware of these issues, the Remco is undertaking various initiatives and considering various policy changes in line with King IV and the JSE Listings Requirements.

In line with best practice, we engage with our shareholders on all material remuneration matters.



CONCLUSION

At the AGM held on 26 April 2017, Hulamin received a 95,17% non-binding advisory vote in favour of its remuneration policy. We would like to thank our shareholders for their ongoing support and trust in our past and future efforts. We have progressed and will continue to improve the implementation of best practice standards and advanced transparency in our reporting and disclosure of remuneration.

NA Matyumza
Chairman of the Remuneration and Nomination Committee

22 February 2018

Forward-looking change	Rationale
We will put the remuneration policy (part B) and the implementation report (part C) to separate, non-binding advisory votes at all future annual general meetings ("AGMs").	Hulamin remains dedicated to uphold good corporate governance standards, in line with best practice, King IV and the JSE Listings Requirements.

REMUNERATION REPORT CONTINUED

PART B: THE FORWARD-LOOKING REMUNERATION POLICY

The Remco is a subcommittee of the Board of the company (the “Board”) with delegated authority, which reviews and oversees the development of Hulamin’s remuneration policy. The Remco responsibilities and actions are set out and governed in its terms of reference, read together with Hulamin’s remuneration policy and other relevant documents.

The Remco typically meets at least three times per year. Full details of membership of the committee and attendance at committee meetings during the financial year are also set out in the Corporate Governance section of this Integrated Annual Report.

The chief executive officer (CEO), the Group Executive: Human Capital and other key individuals who are able to contribute on topics relating to remuneration may be invited to attend Remco meetings, as and when necessary.

REMUNERATION POLICY AND PHILOSOPHY

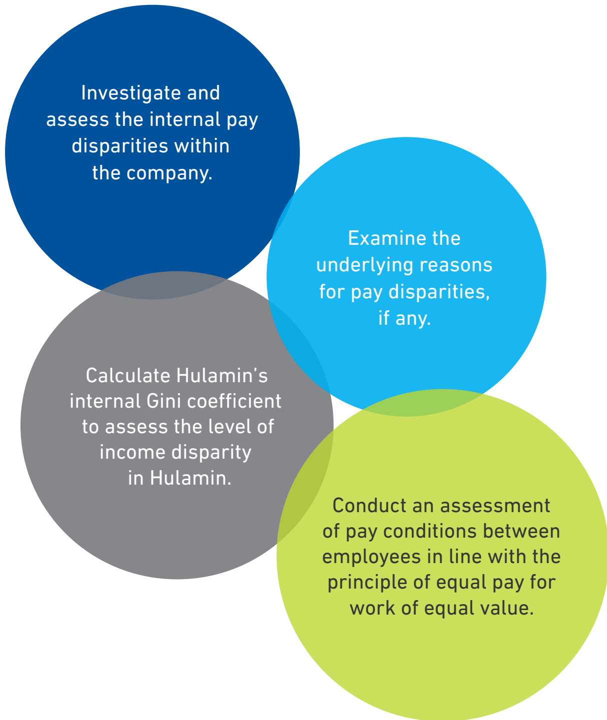
The purpose of Hulamin’s reward policy and philosophy is to provide principles and guidelines for an organisation-wide reward structure, including the management of reward practices that enable Hulamin to attract, motivate, retain and reward the best talent. The reward policy and philosophy support the achievement of Hulamin’s strategic objectives and serve to align the interests of management and shareholders.

Hulamin’s remuneration philosophy to pay for performance within the boundaries of the company’s risk appetite, whilst guarding against windfalls or undue penalisation due to factors outside of employees’ control.

FAIR AND RESPONSIBLE REMUNERATION

The Remco gives due consideration to the principle of fair and responsible remuneration. There is no “one-size-fits-all” solution and as such, the Remco as well as the Board develops initiatives, policies and arrangements to give effect to this principle in line with best practice, bearing in mind the company’s strategic objectives.

The Remco takes the necessary steps to ensure that executive remuneration is justifiable in the context of overall employee remuneration. The Remco makes recommendations to and assists the Board in taking the following actions:



In striving for responsible corporate citizenship, Hulamin continuously considers initiatives that support the principle of fair and responsible remuneration, improving the employment conditions of all employees within the company and may adopt progressive measures to address identified pay disparities, as may be deemed necessary from time to time.

REMUNERATION MIX

The remuneration mix consists of total guaranteed pay ("TGP") and variable (performance-based) pay which supports Hulamin's strategic objectives. It is both competitive and market-related. The mix between TGP and variable pay (including the short and long-term elements of remuneration) are reviewed by the Remco and the Board from time to time taking market trends into consideration. The Remco ensures that the variable components of remuneration are designed to limit risk to the company and its long-term objectives, in that over-dependence on variable components of remuneration are avoided.

Additionally, TGP and variable pay should avoid gratuitous windfalls or penalties as a result of external factors such as commodity price or currency fluctuations. The remuneration mix is summarised below:

	Component and mechanism	**Link to Hulamin's strategic intent**	**Performance conditions and positive outcomes**
TGP	Cash salary	Remunerates, attracts and retains employees with the required skills.	*Continued employment* **Human capital** – rewards employees which drives their general well-being. **Social capital** – provides stability and uplifts members of the community as breadwinners.
TGP	Company contributions to retirement savings and medical benefits	Encourages saving for retirement and enhances the overall well-being of employees.	
VARIABLE PAY	Short-term incentive ("STI")	The primary purpose of the STI is to motivate a common drive towards performance.	*Earnings before interest and taxes ("EBIT") and operational cash flow* **Financial capital** – encourages employees to contribute to the attainment of the company's financial targets thereby increasing shareholder value. *Operational performance objectives* • Sales volumes • Manufacturing costs • Rolling margins • Recoveries • On-Time deliveries • Safety **Manufacturing capital** – encourages employees to meet the company's operational objectives, aligning employees' discretionary effort with company goals, ultimately increasing shareholder value. *Individual performance objectives* Individual KPAs address achieving strategic business objectives across the following general areas: • Financial performance • Budgetary/cost control • Transformation • Safety • Risk management
VARIABLE PAY	Long-term incentive ("LTI")	The primary purpose of the SAR is to align employee and shareholder returns, incentivise employees to achieve the long-term objectives of the company and to retain key talent.	*Headline earnings per share ("HEPS") and share price growth* **Financial capital** – these performance measures drive increase in the share price and capital appreciation on the investments made by Hulamin's shareholders.

The Remco has considered forward-looking policy changes in the year under review as detailed in the Chairman's statement above.

At lower levels, the "on-target" remuneration mix is weighted towards TGP.

REMUNERATION REPORT CONTINUED

POSITIONING

Hulamin aims for TGP to be in line with the median of the market, however, there are cases of differentiation (i.e. TGP that falls slightly below or slightly above the market median) based on individual performance and scarcity of skills.

SALARY REVIEWS AND INCREASES

Annual cash salary increases for individuals are determined by taking into account an individual's performance as well as his/her anticipated future value to the business and pay relative to the market. Performance ratings are conducted before annual increases are determined. The remuneration increases of executives are considered when determining the average increase for other employees.

TOTAL GUARANTEED PAY

TGP consists of a pre-determined cash salary plus company contribution to a company approved pension fund and medical aid. Regular benchmarking exercises are conducted, against a selected peer group/comparator group of companies of a similar size in a similar industry, to ensure that the TGP of Hulamin employees is market-related and appropriately competitive.

Hulamin supports the principle of equal pay for work of equal value in line with the Employment Equity Act, 55 of 1998, as amended. Salary differentials are monitored across the organisation. Inequality is addressed by making the relevant salary alignments.

SHORT-TERM INCENTIVES

Hulamin has a short-term incentive scheme (STI) that is designed to incentivise employees to deliver high levels of performance. The total amount available to be paid to participants in the scheme is limited to 10% of group Earnings Before Interest and Tax (EBIT). The Hulamin performance bonus scheme consists of six different levels.

Position	Grade	STI on-target earning potential relative to TGP %
CEO	FU	60
CFO	FL	50
Executives	FL	40
Senior management	EU	33
	EL	25
Middle management	DU – DL2	15

The STI scheme is based on a combination of the achievement of corporate financial targets, operational targets, safety targets and an element for individual performance, which are determined and approved annually. The financial and operational targets are related to the budgets of Hulamin as a whole, as well as individual operations, determined and approved annually. Incremental changes to the bonus scheme may be considered from year to year to bring about gradual improvements taking into account experience from the previous year, as well as market developments and trends.

The weightings of the targets are as follows:

Position	Financial perfomance %	Operational perfomance %	Safety performance %	Individual performance %
CEO	60	10	10	20
Executives	40 to 50	20 to 30	10	20
Senior management	20 to 30	40	10	20 to 30
Middle management	10	40	10	40

STI TARGET SETTING

In recognition of the significant impact that currency movements can have on group profit, which is an external driver outside the control of management, the Board approved principle to measure actual EBIT against a currency-adjusted budget EBIT. This principle rewards management for impact of controllable operational performance on financial results.

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

In the event of early termination, due to resignation or dismissal, there is no entitlement to a bonus payment. In the case of retirement, retrenchment and death in service, a *pro rata* entitlement may be applied.

LONG-TERM INCENTIVES

The company is proposing a new LTI for executives and qualifying management, an equity-settled conditional share plan ("ECSP") which will be presented to shareholders for approval at the forthcoming annual general meeting.

Should the ECSP be approved by shareholders, then no more awards will be made in terms of any legacy plans subsequent to approval.

The aggregate number of shares which may be settled in respect of the ECSP to all participants will not exceed 5% of the number of issued shares as at the date of adoption of the ECSP.

FINANCIAL TARGETS

Financial targets are related to EBIT and operating cash flow. These targets are based on targets set for Hulamin as a whole as well as individual business operations, as approved by the Board. Financial targets have upper and lower thresholds.

OPERATIONAL TARGETS

Operational targets are set at division level against Board approved budgets for sales volumes, operational costs, margins, recoveries, On-Time delivery and safety and are approved annually by the Board.

INDIVIDUAL PERFORMANCE

Key performance areas for individual employees are based on key performance indicators for department and operating divisions.

The ECSP provides for three types of conditional shares:

- Performance Shares, awarded only to executives and senior management, the vesting thereof being subject to the satisfaction of performance conditions and the employment condition in line with the group's approach of performance-related incentives;
- Bonus Shares, awarded to executives, senior and middle management, the value thereof which will be determined as a percentage of the STI based on performance in the previous financial year. The performance conditions are therefore applied to the awarding Bonus Shares, with the vesting thereof being subject to the satisfaction of the employment condition;
- Retention Shares, awarded by the Remco on a limited basis to attract and retain executive and senior management, with the vesting thereof being subject only to the satisfaction of the employment condition.

In line with best practice, routine annual awards of Performance and Bonus Shares will be made to ensure long-term shareholder alignment and value creation with acceptable market norms. The ECSP provides for the award of Retention Shares, for use only in specific cases where there is a critical need.

Annual awards may be benchmarked and set to a market-related level of remuneration whilst considering the overall affordability thereof to the company.

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

The scheme also provides for dividend equivalent shares linked to the Bonus Shares. These are an additional number of shares equal in value to the dividends that a participant would have earned in respect of their Bonus Shares, if he/she was the owner of the conditional shares from the award date to the vesting date determined with reference to the dividend record dates occurring in that period, adjusted for the number of Bonus Shares actually vesting.

Awards of Performance Shares will be subject to the following performance conditions, measured over a three-year performance period:

TOTAL SHAREHOLDER RETURN ("TSR") – WEIGHTED 1/3

- Compound Annual Growth Rate (CAGR) in TSR over a three year performance period, making provision for the reinvestment of dividends declared during the performance period;
- Measured against the CAGR in the JSE Small Cap Index over the three year vesting period, inclusive of the reinvestment of dividends declared during the vesting period;
- 100% vesting of shares for matching or beating the target performance;
- 0% vesting of shares for failing to meet the target performance.

RETURN ON CAPITAL EMPLOYED ("ROCE") – WEIGHTED 2/3

- Measured against three-year average after tax ROCE based on the prior year Board approved Business Plan;
- The ROCE used should be based on Capital Employed at the beginning of the performance period. The Board will have discretion to adjust the ROCE for major changes in Capital Employed during the vesting period (such as share buy-backs, rights offers, significant investments, impairments, etc);
- Vesting will be on a straight line basis with 20% of the shares vesting at a threshold of 80% performance, up to 100% vesting at 100% performance (i.e. meeting target);
- The 2017 Business Plan includes projected ROCE as follows:
  - 2018: 7,8%
  - 2019: 10,0%
  - 2020: 13,9%
  - Average of above: 10,6%

It is therefore proposed that the target average after tax ROCE for the 2018 Performance share award is 10,6% (measured over the three years 2018, 2019 and 2020), and that the 80% threshold (for 20% vesting) is 8,5%.

Each performance measure will be measured and awarded independently (i.e. vesting may occur in one or other of the performance measures without affecting the vesting of the other performance measure). On both performance measures, 100% is the maximum permissible vesting.

LEGACY PLANS

There are a number of residual awards from Hulamin's legacy plans – the Share Appreciation Rights plan (SARS), the Long-Term Incentive Plan (LTIP), and the Deferred Bonus Plan (DBP).
A summary of these plans is presented below for the purposes of understanding these outstanding awards.

SARS SUMMARY:

SARS	Participants	Allocation frequency and quantum	Performance target HEPS	Measurement period	Vesting profile
Under the SARS, rights are offered in the form of performance-based conditional awards. The extent to which the performance conditions are met, governs the vesting of the rights.	Eligible executives and selected managers in Paterson grades upper D and above.	Annual awards with a face value of a % of an average cash salary for the participant's 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.	Increase in HEPS over three years to exceed inflation +6% over the performance period.	Three years. No retesting of performance targets are allowed.	Awards vest in one tranche at the end of the performance period based on the testing of performance conditions ("Cliff vesting").

LTIP NO PERFORMANCE CONDITION (NPC) SUMMARY:

LTIP	Participants	Allocation frequency and quantum	Vesting period	Vesting profile
Under the LTIP NPC, once-off shares are awarded in order to attract and retain top talent. These LTIP NPC awards are approved by the Remco and are contingent upon continued employment.	Eligible executives and senior employees.	Ad hoc.	Three years.	Awards vest in one tranche at the end of the tenure period ("Cliff vesting").

LTIP WITH PERFORMANCE CONDITION (PC) SUMMARY:

LTIP PC	Participants	Allocation frequency and quantum	Performance target: TSR (50% weighting)	Performance target: ROCE (50% weighting)	Measurement period	Vesting profile
Under the LTIP PC, awards are offered in the form of performance-based conditional awards. The extent to which the performance conditions are met, governs the vesting of the rights.	Eligible executives and selected managers in Paterson grades upper D and above.	Annual awards with a face value of a % of an average cash salary for the participant's 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.	Company performance is ranked against a peer group of companies over three years. The ranking determines the level of vesting.	ROCE performance is measured against a Board approved target ROCE, with a range of vesting from 30% to 100% based on meeting a minimum threshold.	Three years. No retesting of performance targets is allowed.	Awards vest in one tranche at the end of the performance period based on the testing of performance conditions ("Cliff vesting").

DBP SUMMARY:

DBP	Participants	Allocation frequency and quantum	Vesting period	Vesting profile
Under the DBP, participants purchase shares which are held in escrow for three years. On vesting the shares are matched by the company one for one.	Eligible executives and selected managers in Paterson grades upper D and above.	Annual awards limited to 50% of the participant's incentive bonus.	Three years.	Awards vest in one tranche at the end of the tenure period ("Cliff vesting").

EMPLOYEE SHARE OWNERSHIP PLAN ("ESOP")

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

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

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

The objectives of the ESOP are primarily:

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

EMPLOYMENT CONDITIONS AND RETENTION STRATEGY

Executives are employed on similar terms of employment to other Hulamin employees. However, the notice period for the CEO, which is three months and for other executives two months, is the major difference between executives and other employees. Hulamin reserves the right to terminate an executive's employment, including the CEO, without notice, for any cause recognised sufficient by law. Executive employment contracts do not allow for lump sum exit payments on termination other than on a basis offered to other employees such as a retirement gratuity. The Remco addresses succession planning for the executive including the CEO and other critical employees on an annual basis.

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

In terms of executives' employment agreements there is no automatic severance compensation to executives due to a change of control. In such cases, the company's retrenchment policy will apply. Hulamin does not offer "sign-on" bonus payments to executives, but may, with Remco approval, offer Retention Share awards in order to attract executives and key senior employees.

The Remco may in extraordinary circumstances consider Retention Share awards in order to retain key executives and critical talent, especially during a period of uncertainty. Executives are not subject to any restraint of trade conditions in their employment conditions.

REWARDS FOR NON-EXECUTIVE DIRECTORS ("NEDs")

NEDs receive fees for serving on the Board and Board committees and do not have service agreements with the company. NED fees are paid in cash on a fixed retainer basis and an attendance fee per meeting. The Board typically holds five meetings a year and there are normally three meetings per year for each of the sub-committees of the Board, are held. Reinbursements for reasonable travel and subsistence expenses are paid to NEDs in line with the employee policy.

Fees for NEDs are reviewed annually taking into account the NEDs responsibilities as well as relevant external benchmark data. Any proposed change to NED fees are considered against the average levels/percentage approved across the company. Fees are recommended by the Remco, submitted to Board for approval, and subsequently recommended to shareholders as resolutions for approval at each AGM.

NEDs are to required to remain independent and therefore do not receive payments linked to the company's performance nor do they participate in the company's incentive bonus plan or share incentive schemes. NED independence is reviewed annually by the Remco. The table below sets out the present and proposed NED fees. The proposed fees will be tabled before shareholders for approval by special resolution at the AGM on 26 April 2018.

REMUNERATION REPORT CONTINUED

Role		Present fees in Rand to 31 July 2018 Annual retainer	Present fees in Rand to 31 July 2018 Attendance per meeting	Proposed fees in Rand from 1 August 2018 Annual retainer	Proposed fees in Rand from 1 August 2018 Attendance per meeting	% change
Chairman of the Board		**430 980**	**36 940**	454 680	38 970	5,5
Member of the Board		**157 480**	**13 500**	166 140	14 240	5,5
Chairman of the Audit Committee		**113 340**	**16 190**	119 570	17 080	5,5
Member of the Audit Committee		**65 860**	**9 410**	69 480	9 930	5,5
Invitee of the Audit Committee		**–**	**9 410**	–	9 930	5,5
Chairman of the Risk and Safety, Health and Environment Committee		**78 260**	**11 180**	82 560	11 790	5,5
Member of the Risk and Safety, Health and Environment Committee		**42 950**	**6 140**	45 310	6 480	5,5
Invitee of the Risk and Safety, Health and Environment Committee		**–**	**6 140**	–	6 480	5,5
Chairman of the Remco		**78 260**	**11 180**	82 560	11 790	5,5
Member of the Remco		**42 950**	**6 140**	45 310	6 480	5,5
Invitee of the Remco		**–**	**6 140**	–	6 480	5,5
Chairman of the Transformation, Social and Ethics Committee		**78 260**	**11 180**	82 560	11 790	5,5
Member of the Transformation, Social and Ethics Committee		**42 950**	**6 140**	45 310	6 480	5,5
Invitee of the Transformation, Social and Ethics Committee		**–**	**6 140**	–	6 480	5,5
Chairman of an ad hoc Board Committee		**78 260**	**11 180**	82 560	11 790	5,5
Member of an ad hoc Board Committee		**42 950**	**6 140**	45 310	6 480	5,5
Invitee of an ad hoc Board Committee		**–**	**6 140**	–	6 480	5,5
Fees for international non-executive directors	(€)	**30 522**	**2 615**	30 800	2 640	0,9
Fees for international non-executive directors	($)	**30 522**	**2 615**	31 200	2 670	2,1

SHAREHOLDER ENGAGEMENT

Hulamin is committed to fair, responsible and transparent remuneration, shareholders are therefore encouraged to engage with the company on remuneration-related matters.

Hulamin tables its remuneration policy as well as the implementation report for two separate non-binding advisory votes annually at the AGM. In the event that 25% or more of the shareholders vote against the remuneration policy, or the implementation report, the Remco will commence engagement with dissenting shareholders and ascertain their reasons and underlying concerns. In order to do so, the Remco will extend an invitation to dissenting shareholders in the Stock Exchange News Service announcement together with the results of the AGM, which invitation will include the manner, date and timing of engagement.

PART C: THE IMPLEMENTATION OF THE 2017 REMUNERATION POLICY

This implementation report is subject to an advisory vote by shareholders at the AGM dated 26 April 2018.

TGP

The Remco approved an average salary increase mandate of 6,7% of cash salary for executives, and 7% increase for other monthly paid employees. Weekly paid and artisan employees are subject to wage negotiations with the bargaining council.
The Remco is satisfied that the increase levels for executive directors are in line with increase levels throughout the company.

STI OUTCOMES

The table below sets out the STI performance outcomes for 2017:

Performance measure	% Actual achievement
EBIT and operating cash flow	89,3
Operational target	85,1
Safety target	75,0
Individual target (average) (meeting expectation)	100,0
Weighted average	**88,3**

The table below sets out the STIs the executive directors and prescribed officers were paid for the 2017 financial year, based on the achievement of performance targets, vs their possible STI awards for On-target company performance:

Participant	2017 Actual STI amount R'000	2017 Actual STI (as % of TGP)	On-target STI amount R'000	On-target STI (as % of TGP)
RG Jacob (CEO)	1 939 516	37	3 127 243	60
AP Krull (CFO)	1 281 770	33	1 939 138	50
MZ Mkhize (executive director)	943 744	25	1 481 825	40
HT Molale (prescribed officer)	782 612	25	1 253 985	40

LTI OUTCOMES

The 2014 SARS performance condition was measured over the three-year performance period. The actual three-year cumulative HEPS growth of 51% exceeded the target cumulative HEPS growth of 24% and consequently 100% of SARS vested and are available for exercise.

The 2014 LTIP PC award performance conditions were measured over the three-year performance period. The actual ROCE of 10,1% exceeded the minimum target performance and resulted in 36,36% vesting of the 50% ROCE performance condition.
The TSR ranking of Hulamin over the three-year performance period resulted in 100% of the 50% TSR performance condition, resulting in a combined 68,18% vesting of the 2014 LTIP PC.

REMUNERATION REPORT CONTINUED

UNVESTED LTIs

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

	LTI scheme	Date awarded	Vesting date	Opening number	Granted during the year	Grant price	Settled during the year	Closing number	Cash value[1] R'000	Indicative value[2] R'000
RG Jacob	DBP	8-May-15	7-May-18	17 319	–	6,84	–	17 319	–	152 234
(executive)	SARS	24-Apr-14	23-Apr-17	633 100	–	6,90	–	633 100	–	–
	SARS	23-Apr-15	22-Apr-18	396 925	–	8,20	–	396 925	–	1 258 252
	SARS	22-Apr-16	21-Apr-19	744 440	–	6,30	–	744 440	–	1 875 989
	SARS	26-Apr-17	25-Apr-20	–	604 005	6,50	–	604 005	–	1 564 373
	LTIP PC	24-Apr-14	23-Apr-17	236 998	–	6,90	236 998	–	1 081 004	–
	LTIP PC	23-Apr-15	22-Apr-18	146 625	–	8,20	–	146 625	–	1 114 350
	LTIP NPC	24-Apr-14	23-Apr-17	78 999	–	6,90	78 999	–	528 503	–
	LTIP NPC	23-Apr-15	22-Apr-18	48 875	–	8,20	–	48 875		395 399
AP Krull	LTIP NPC	1-May-16	30-Apr-19	145 370	–	5,75	–	145 370	–	824 248
(executive)	SARS	26-Apr-17	25-Apr-20	–	327 554	6,50	–	327 554	–	848 365
MZ Mkhize	SARS	25-May-11	24-May-14	261 503	–	6,91	–	261 503	–	–
(executive)	SARS	25-Feb-13	21-Oct-15	241 172	–	4,56	–	241 172	–	383 463
	SARS	24-Apr-14	23-Apr-17	201 780	–	6,90	–	201 780	–	–
	SARS	23-Apr-15	22-Apr-18	138 555	–	8,20	–	138 555	–	439 219
	SARS	22-Apr-16	21-Apr-19	313 573	–	6,30	–	313 573	–	790 204
	SARS	26-Apr-17	25-Apr-20	–	304 817	6,50	–	304 817	–	789 476
	LTIP PC	24-Apr-14	23-Apr-17	88 064	–	6,90	88 064	–	401 681	–
	LTIP PC	23-Apr-15	22-Apr-18	61 030	–	8,20	–	61 030	–	463 828
	LTIP NPC	24-Apr-14	23-Apr-17	29 355	–	6,90	29 355	–	196 385	–
	LTIP NPC	23-Apr-15	22-Apr-18	20 343	–	8,20	–	20 343	–	164 575
HT Molale	SARS	24-Apr-14	23-Apr-17	–	–	6,90	–	–	–	–
(prescribed	SARS	23-Apr-15	22-Apr-18	–	–	8,20	–	–	–	439 219
officer)	SARS	22-Apr-16	21-Apr-19	–	–	6,30	–	–	–	790 204
	SARS	26-Apr-17	25-Apr-20	–	–	6,50	–	–	–	789 476
	LTIP PC	24-Apr-14	23-Apr-17	65 534	–	6,90	65 534	–	401 681	–
	LTIP PC	23-Apr-15	22-Apr-18	51 811	–	8,20	–	51 811	–	463 828
	LTIP NPC	24-Apr-14	23-Apr-17	21 845	–	6,90	21 845	–	196 385	–
	LTIP NPC	23-Apr-15	22-Apr-18	17 270	–	8,20	–	17 270	–	164 575

[1] *Cash value realised from LTI.*

[2] *Fair value/indicative value of outstanding LTI.*

EXECUTIVE REMUNERATION

The table below sets out the single figure remuneration (i.e. TGP (Basic salary and company contributions), STI and LTI) received by executive directors and prescribed officers in 2017 and 2016, respectively.

	Cash salary R'000	Company contributions R'000	STI R'000	LTI R'000	Total R'000
2017					
RG Jacob (executive)	**4 527 744**	**684 327**	**1 939 516**	**1 564 373**	**8 715 960**
AP Krull (executive)	**3 333 144**	**545 132**	**1 281 770**	**848 365**	**6 008 411**
MZ Mkhize (executive)	**3 102 228**	**602 334**	**943 774**	**789 476**	**5 437 812**
HT Molale (prescribed officer)	**2 629 668**	**505 292**	**782 612**	**668 958**	**4 586 530**
Total	**13 592 784**	**2 337 085**	**4 947 672**	**3 871 172**	**24 748 713**
2016					
RG Jacob (executive)	4 243 848	640 670	3 281 810	1 875 989	10 042 317
DA Austin (executive)	1 041 420	176 885	–	–	1 218 305
AP Krull (executive)	2 082 840	340 103	1 366 237	824 248	4 613 428
MZ Mkhize (executive)	2 905 128	562 927	1 659 464	790 204	5 917 723
HT Molale (prescribed officer)	2 464 956	431 475	836 011	670 204	4 402 646
Total	12 738 192	2 152 060	7 143 522	4 160 645	30 139 085

NED FEES

The table below sets out the fees paid to NEDs in 2017:

2017	Retainer fees R'000	Attendance fees R'000	Total fees R'000
ME Mkwanazi	**574 876**	**374 138**	**949 014**
LC Cele	**108 144**	**45 834**	**153 978**
VN Khumalo	**216 629**	**167 332**	**383 961**
TP Leeuw	**344 570**	**218 502**	**563 072**
AT Nzimande	**139 682**	**84 768**	**224 450**
NNA Matyumza	**332 815**	**160 074**	**492 889**
SP Ngwenya	**193 604**	**83 978**	**277 582**
PH Staude	**269 200**	**116 142**	**385 342**
GHM Watson	**577 697**	**351 891**	**929 588**
N Maharaj	**210 564**	**138 076**	**348 640**
CA Boles	**190 234**	**172 534**	**362 768**
B Mehlomakulu	**152 117**	**65 920**	**218 037**
B Larson	**233 114**	**235 818**	**468 932**
G Zondi	**–**	**13 500**	**13 500**

APPROVAL

This report was approved by the Remco on 6 February 2018 and the Board on 22 February 2018. The Remco as well as the Board are satisfied that there were no material deviations from the 2016 remuneration policy during the 2017 financial year.

FINANCIAL STATEMENTS

33%

INCREASE IN COMPARABLE EARNINGS

Comparable earnings, in constant currency terms, has increased on strong operational performance


20

DIRECTORS' STATEMENT OF RESPONSIBILITY AND APPROVAL

of the annual financial statements

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

In preparing the annual financial statements, the company and the group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and have been prepared in accordance with International Financial Reporting Standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the company and the group at 31 December 2017, and the results of its operations and cash flows for the year then ended. The directors have considered the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the group's current financial position, are satisfied that the company and group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

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

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

The financial statements have been audited by the independent auditing firm, PricewaterhouseCoopers, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unqualified report appears on pages 108 to 111.

The annual financial statements of the group and company set out on pages 112 to 174, which have been prepared on the going-concern basis, were approved by the Board of Directors on 22 February 2018 and were signed on its behalf by:

Mafika Edmund Mkwanazi
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
22 February 2018

CERTIFICATE BY COMPANY SECRETARY

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

Willem Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
22 February 2018

REPORT OF THE AUDIT COMMITTEE

INTRODUCTION

The Hulamin Group Audit Committee ("the committee" or "Audit Committee") presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended ("Companies Act"), and as recommended by King IV, for the financial year ended 31 December 2017.

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

MEMBERSHIP AND MEETINGS

The committee comprises three independent non-executive directors. All members of the committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations. The members were appointed by shareholders at the 2017 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:

- TP Leeuw (Chairman)
- NNA Matyumza
- LC Cele (Resigned with effect from 30 April 2017)
- N Maharajh (Appointed with effect from 1 February 2017)

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

The audit committee met five times during the year.

Full details of membership of the committee and attendance at committee meetings during the financial year are also set out in the Corporate Governance section of this Integrated Annual Report.

ROLE AND RESPONSIBILITIES

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

The key responsibilities of the committee are as follows:

- Ensuring the integrity of the financial reporting process, including sound systems of internal control and financial risk management;
- Review of Integrated Annual Reports, Annual Financial Statements, Interim Reports and other financial announcements, including the accounting principles and policies adopted therein and compliance with JSE regulations;
- Monitoring the performance and effectiveness of the independent external auditors and evaluating the qualifications, expertise, resources, fees, scope of work and independence of the external auditors prior to recommending their appointment to the Board and shareholders;
- Approving the internal audit work plan and overseeing the conduct of the internal audit and the implementation of internal control enhancements;
- Approving any non-audit services provided by the external auditors;
- Considering the appropriateness of the expertise, resources and experience of the financial function and of the Chief Financial Officer;
- Approving the appointment of an external assurance provider in respect of the sustainability report;
- Performing statutory duties in terms of the Companies Act, as well as to report to the shareholders in respect of the financial year, including those matters in terms of section 94(7)(f) of the Companies Act; and
- Ensuring that the combined assurance model introduced by the King IV Code is applied to provide a coordinated approach to assurance activities.

PERFORMANCE OF DUTIES

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

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

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

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

REPORT OF THE AUDIT COMMITTEE CONTINUED

In respect of the 2017 financial year, the committee was satisfied with the quality and effectiveness of PricewaterhouseCoopers Inc. audit process and that PricewaterhouseCoopers Inc. and the designated audit partner, Mr H Govind, were accredited as such on the JSE list of auditors and their advisors.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2017 year as disclosed in note 2.3.3 of the financial statements of the group and note 2.2 of the financial statements of the company.

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

As a result of the proposed implementation of an audit firm rotation process and taking into account that PricewaterhouseCoopers Inc. has been the Group's external auditor for the last 68 years, the Group initiated a process to change the external auditor for the financial year ending 31 December 2018.

The committee initiated a tender process and recommended to the Board of directors that Ernst & Young Inc. be proposed for appointment at the next Annual General Meeting as the Group's external auditor for the financial year ending 31 December 2018, with Mr S Sithebe acting as the designated audit partner. Ernst & Young Inc. is required to rotate the external audit partner every 5-years, and accordingly, Mr Sifiso Sithebe will be required to change on the completion of the 2023 external audit. To further enhance the Group's transformation objectives, which includes the empowerment of its supplier base, Ernst & Young Inc. will partner with Ubucule Inc., a KZN-based Black-owned auditing and accounting firm.

INTERNAL AUDIT

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

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

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

INTERNAL FINANCIAL CONTROLS

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

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

This written assessment by internal audit formed the basis for the committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Board's opinion on the effectiveness of the system of internal controls and risk management is included on page 102. The committee supports the opinion of the Board in this regard.

GOVERNANCE OF RISK

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

An internal audit charter is in place which defines the function, responsibility and authority of the group's internal audit activity. The internal audit function's 2017 annual audit plan was approved by the committee.

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

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

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

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

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

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee has reviewed the accounting policies and the financial statements of the company and the group for the year ended 31 December 2017, 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.

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 2017 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 2017 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 19 February 2018, recommended the 2017 integrated report for approval by the Board of directors.

GOING CONCERN

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and the group as at 31 December 2017 and has made a recommendation to the Board in this respect. The Board's statement on the going concern status of the company and the group, as supported by the committee, is detailed on page 102.

On behalf of the audit committee:

Thabo Leeuw
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal

19 February 2018

DIRECTORS' STATUTORY REPORT

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2017.

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The net profit attributable to shareholders of the group for the year ended 31 December 2017 amounted to R 332 232 000 (2016: R384 933 000). This translates into headline earnings per share of 104 cents (2016: 119 cents) and normalised earnings per share of 104 cents (2016: 119 cents) based on the weighted average number of shares in issue during the year.

The annual financial statements presented on pages 112 to 174 set out fully the financial position, results of operations and cash flows for the year.

DIVIDENDS

A final dividend of 15 cents per share was declared for the year ended 31 December 2017 (2016: 15 cents per share).

SHARE CAPITAL

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

Details of the authorised, issued and unissued ordinary shares and the group's share incentive schemes are set out in notes 3.4 of the group financial statements.

SUBSIDIARIES

Details of Hulamin Limited's interest in its subsidiaries are set out in note 6 of the notes to the consolidated financial statements.

DIRECTORATE

The names of the directors and secretary of the company are reflected on page 154.

Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration are reflected in note 8.3 of the group financial statements.

Mrs AT Nzimande and Mr LR Larson were appointed to the board on 1 April 2017.

Ms LC Cele resigned from the board of directors with effect from 30 April 2017.

DIRECTORS' AND PRESCRIBED OFFICER'S SHAREHOLDINGS

At 31 December 2017, the present directors and prescribed officer of the company beneficially held a total of 1 066 445 ordinary no par value shares, equivalent to 0,33%, in the company (2016: 835 861 ordinary no par value shares, equivalent to 0,26%, were held by directors). Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in note 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 31 December 2017 and 22 February 2018.

HOLDING COMPANY

Hulamin Limited is the ultimate holding company at 31 December 2017.

AUDITORS

PricewaterhouseCoopers continued as auditors of Hulamin Limited and its subsidiaries during the current financial year. A resolution to appoint Ernst & Young Inc. as the company's external auditors for the financial year ending 31 December 2018 will be proposed at the Annual General Meeting of Hulamin Limited. The appointment of Ernst & Young Inc. has the support of the Hulamin Group audit committee.
Mr Sifiso Sithebe will be the registered auditor that will undertake the audit.

SECRETARY

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

POST BALANCE SHEET EVENTS

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

APPROVAL

The annual financial statements of the group and company set out on pages 112 to 174 have been approved by the board. Signed on behalf of the board of directors by:

Mafika Mkwanazi
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
22 February 2018

INDEPENDENT AUDITOR'S REPORT

to the shareholders of Hulamin Limited

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Hulamin Limited (the Company) and its subsidiaries (together the Group) as at 31 December 2017, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

WHAT WE HAVE AUDITED

Hulamin Limited's consolidated and separate financial statements set out on pages 112 to 174 comprise:

- the Group and Company statements of financial position as at 31 December 2017;
- the Group and Company statements of profit or loss for the year then ended;
- the Group and Company statements of comprehensive income for the year then ended;
- the Group and Company statements of changes in equity for the year then ended;
- the Group and Company cash flow statements for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

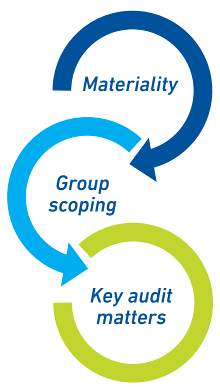
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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

OUR AUDIT APPROACH

OVERVIEW



OVERALL GROUP MATERIALITY

Overall Group materiality: R50,8 million, which represents 0,5% of the Group's revenue.

GROUP AUDIT SCOPE

Full scope audits conducted over all operating subsidiaries in the Group.

KEY AUDIT MATTERS

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

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

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

MATERIALITY

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

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

Overall Group materiality	R50,8 million
How we determined it	0,5% of the Group's revenue
Rationale for the materiality benchmark applied	We have selected revenue as our materiality benchmark because, in our view, it is a benchmark against which the performance of the Group can be consistently measured in circumstances of volatile year-on-year earnings. This benchmark has remained a stable and key driver of the Group's business. We chose 0,5% based on our professional judgement and after consideration of a number of factors, in particular the level of third party debt and the existence of financial covenants.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

KEY AUDIT MATTERS

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">IMPAIRMENT ASSESSMENT OF THE ROLLED PRODUCTS CASH GENERATING UNIT ("CGU")</td></tr>
<tr><td>
Refer to note 1.4 Judgements made by management – Impairment of non-financial assets and note 5.3 Impairment of non-financial assets to the consolidated financial statements for the related disclosures.
The applicable accounting standards require an impairment test of non-financial assets to be performed when there are indicators that these may be impaired.
The Group's market capitalisation (share price at 31 December 2017: R6,15) was below its net asset value (net asset value per share at 31 December 2017: R14,55) as at 31 December 2017. This position indicated that the carrying value of the Group's assets may be impaired.
Management performed an impairment test at the Rolled Products CGU and at the Extrusions CGU levels. The Extrusions CGU is a minor segment in the business and was not determined to be a matter of most significance in our audit of the consolidated financial statements.
In respect of the Rolled Products CGU, which accounts for the majority of the Group, management determined its recoverable amount to be its value in use. This value was determined using a discounted cash flow model.
Management used the five year business plan approved by the board and the 2018 board approved budget in projecting future cash flows for the CGU.
Included within the cash flow forecasts are the following key assumptions which required the exercise of significant management judgement:

Sales volumes – This excludes benefits of future capital expenditure and restructuring and is adjusted to take account of actual performance against previous forecasts. Sales volumes are forecast to grow to 226 000 tons over the period of the business plan.
Rolling margins – This takes into account current and anticipated changes in market conditions and product mix.
Currency exchange rates – This is based on the median of forecasts by major financial and other institutions to 2019 and on inflation differentials thereafter, with the ZAR/USD rate rising from an average of R12,96 in 2018 to R14,64 in 2022.

</td><td>
We considered management's assessment of the existence of an impairment indicator and found it to be in line with the provisions of IAS 36 Impairment of assets.
We assessed the basis adopted by management in the preparation of the discounted cash flow valuation model against the applicable requirements of IAS 36 Impairment of assets and found it to be consistent. We tested the mathematical accuracy of the model.
We assessed various inputs in the cash flow forecasts, interrogated the integrity of supporting calculations and considered the reasonableness of the following key items: volume forecasts, currency rates, rolling margins and cost saving initiatives, with reference to the board approved business plan, market data and past performance of the Rolled Products CGU. Market data that was considered included forecast exchange rates, aluminium prices, geographic premiums and inflation rates. We found the key inputs to be consistent with the board approved business plan and market data and we established that past performance had been appropriately considered in forecasting these inputs.
To assess the adequacy of management's forecasts we considered the level of precision with which management had historically prepared their forecasts by comparing them to actual performance. We identified instances where actual results in the current year relating to certain key items were lower than the previously approved forecasts. We discussed these matters with management and explanations provided were considered in the context of other audit evidence obtained, giving consideration to factors beyond management's control. Management's explanations, together with audit evidence obtained appropriately supported the forecasts prepared historically.
</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
IMPAIRMENT ASSESSMENT OF THE ROLLED PRODUCTS CASH GENERATING UNIT ("CGU") CONTINUED	
The discount rate applied by management was based on the capital asset pricing model which includes inputs that are subjective and require the exercise of management judgement. Management's impairment test indicated the recoverable amount to be greater than the carrying amount of the assets within the Rolled Products CGU and management therefore did not recognise an impairment charge in the current year. We considered the impairment assessment of the Rolled Products CGU to be a matter of most significance to our audit due to the following: • Management's assessment involves significant judgement about future results of the business and the discount rate applied to cash flow forecasts; • Given the magnitude of the related property, plant and equipment and intangible asset balances of R3,14 billion at 31 December 2017, the recognition of an impairment charge could have a significant impact on the financial statements; and • The result of the cash flow forecast is sensitive to small changes in certain assumptions.	With the support of our valuation experts we considered the appropriateness of the discount rate as well as the methodology used by management in forecasting the ZAR/USD exchange rates beyond a two year period. Our consideration of the discount rate included recalculating the inputs with reference to independent market data. This included risk-free rates, betas and market risk premiums. We found the discount rate applied by management to be within an acceptable range. The use of inflation differentials by management in forecasting long term exchange rates is an approach commonly used by valuation practitioners in South Africa and was considered appropriate. We obtained and evaluated management's sensitivity analyses, described in note 5.3 to the financial statements, to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result in impairment. Our results were consistent with that of management.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the *Annual Group Financial Statements for the year ended 31 December 2017*, which includes the Directors' Statutory Report, the Report of the Audit Committee and the Certificate by Company Secretary as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the other sections of the *Hulamin Integrated Annual Report 2017* which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Hulamin Limited for 68 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: HN Govind
Registered Auditor
Durban
22 February 2018

GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	**3 324 593**	3 263 500
Intangible assets	5.2	**64 144**	69 086
Retirement benefit asset	8.2	**127 054**	117 397
Deferred tax asset	9.2	**21 152**	25 463
		3 536 943	3 475 446
Current assets			
Inventories	4.2	**2 150 061**	1 825 221
Trade and other receivables	4.3	**1 241 963**	1 513 096
Derivative financial assets	7	**143 767**	64 445
Cash and cash equivalents	4.1	**111 472**	75 627
Income tax asset		**39 331**	2 603
		3 686 594	3 480 992
Non-current assets held for sale	6.2	**6 529**	–
Total assets		**7 230 066**	6 956 438
EQUITY			
Stated capital and consolidated shares	3.4	**1 817 580**	1 817 580
BEE reserve		**51 776**	51 776
Employee share-based payment reserve		**71 201**	55 852
Hedging reserve		**11 530**	15 506
Retained earnings		**2 696 590**	2 405 974
Total equity		**4 648 677**	4 346 688
LIABILITIES			
Non-current liabilities			
Non-current borrowings	3.1	**108 000**	162 000
Deferred tax liability	9.2	**578 568**	516 533
Retirement benefit obligations	8.2	**266 767**	258 879
		953 335	937 412
Current liabilities			
Trade and other payables	4.4	**1 262 967**	1 141 011
Current borrowings	3.2	**320 699**	490 444
Derivative financial liabilities	7	**43 267**	15 168
Income tax liability		**1 121**	25 715
		1 628 054	1 672 338
Total liabilities		**2 581 389**	2 609 750
Total equity and liabilities		**7 230 066**	6 956 438

GROUP STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
Revenue	2.1	**10 159 698**	10 099 349
Cost of sales	2.3	**(9 115 128)**	(8 957 621)
Gross profit		**1 044 570**	1 141 728
Selling, marketing and distribution expenses	2.3	**(450 277)**	(443 881)
Administrative and other expenses	2.3	**(148 653)**	(144 892)
Other gains and losses	2.4	**92 326**	68 559
Operating profit		**537 966**	621 514
Interest income	9.1	**3 079**	1 309
Interest expense	9.1	**(80 704)**	(88 005)
Profit before tax		**460 341**	534 818
Taxation	9.3	**(128 109)**	(149 885)
Net profit for the year attributable to equity holders of the company		**332 232**	384 933
Earnings per share (cents)			
Basic	2.2	**104**	120
Diluted	2.2	**100**	117

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Net profit for the year attributable to equity holders of the company	**332 232**	384 933
Other comprehensive income for the year	**3 635**	93 851
Items that may be reclassified subsequently to profit or loss:	**(3 976)**	107 628
Cash flow hedges transferred to income statement	**(21 536)**	127 947
Cash flow hedges created	**16 014**	21 536
Income tax effect	**1 546**	(41 855)
Items that will not be reclassified to profit or loss:	**7 611**	(13 777)
Remeasurements of retirement benefit obligation	**8 782**	(14 032)
Remeasurements of retirement benefit asset	**1 753**	(5 103)
Income tax effect	**(2 924)**	5 358
Total comprehensive income for the year attributable to equity holders of the company	**335 867**	478 784

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Note R'000	Stated capital and consolidated shares A	Hedging reserve B	Employee share-based payment reserve C	BEE reserve D	Retained earnings E	**Total equity**
Balance at 31 December 2015	1 817 580	(92 122)	45 707	51 224	2 032 128	**3 854 517**
Net profit for the year	–	–	–	–	384 933	**384 933**
Other comprehensive income net of tax:	–	–	–	–	–	**–**
– cash flow hedges	–	107 628	–	–	–	**107 628**
– retirement benefit assets and obligations	–	–	–	–	(13 777)	**(13 777)**
Equity settled share-based payment schemes:	–	–	–	–	–	**–**
Value of employee services (note 2.3.1)	–	–	26 998	–	–	**26 998**
Settlement and forfeiture of employee share incentives	–	–	(16 853)	–	4 417	**(12 436)**
Tax on employee share incentives	–	–	–	–	(1 727)	**(1 727)**
Equity-settled share-based payment: Isizinda (note 8.1)	–	–	–	552	–	**552**
Balance at 31 December 2016	1 817 580	15 506	55 852	51 776	2 405 974	**4 346 688**
Net profit for the year	–	–	–	–	332 232	**332 232**
Other comprehensive income net of tax:	–	–	–	–	–	**–**
– cash flow hedges	–	(3 976)	–	–	–	**(3 976)**
– retirement benefit assets and obligations	–	–	–	–	7 611	**7 611**
Equity settled share-based payment schemes:	–	–	–	–	–	**–**
Value of employee services (note 2.3.1)	–	–	32 991	–	–	**32 991**
Settlement and forfeiture of employee share incentives	–	–	(17 642)	–	2 489	**(15 153)**
Tax on employee share incentives	–	–	–	–	(3 209)	**(3 209)**
Dividend paid*	–	–	–	–	(48 507)	**(48 507)**
Balance at 31 December 2017	**1 817 580**	**11 530**	**71 201**	**51 776**	**2 696 590**	**4 648 677**

NOTES

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidated shares represent shares held under various BEE transactions. Further information of the group's stated capital and consolidation shares is presented in note 3.4.

B: Hedging reserve

The hedging reserve is used to record gains or losses on derivatives that are considered effective in terms of IFRS. Hedging relationships are further described in note 7. Amounts are reclassified to profit or loss when the associated hedge items affects profit or loss.

C: Employee share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. On settlement the value of the reserve is transferred to retained earnings. Further details of share options outstanding are provided in note 8.1.

D: BEE Reserve

The BEE reserve is used to recognise the grant date fair value of options issued to identified BEE participants and Isizinda BEE participants. Further details of these transactions are provided in note 8.1.

E: Retained earnings

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

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

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**783 948**	908 792
Interest paid		**(102 192)**	(103 101)
Interest received		**3 079**	1 309
Income tax paid		**(127 669)**	(127 972)
Net cash inflow from operating activities		**557 166**	679 028
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(256 427)**	(314 856)
Additions to intangible assets		**(4 607)**	(13 551)
Proceeds on disposal of property, plant and equipment		**–**	7 681
Government grant received		**–**	57 047
Net cash outflow from investing activities		**(261 034)**	(263 679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings		**(54 000)**	(54 000)
Net proceeds from/(repayment of) current borrowings*		**(169 745)**	(338 957)
Settlement of employee share incentives schemes		**(15 153)**	(12 436)
Dividends paid		**(48 507)**	–
Net cash outflow from financing activities		**(287 405)**	(405 393)
Net increase in cash and cash equivalents		**8 727**	9 956
Cash and cash equivalents at beginning of year		**75 627**	70 158
Effects of exchange rate changes on cash and cash equivalents		**27 118**	(4 487)
Cash and cash equivalents at end of year		**111 472**	75 627
A: CASH GENERATED FROM OPERATIONS			
Profit before tax		**460 341**	534 818
Net interest cost		**77 625**	86 696
Operating profit		**537 966**	621 514
Adjusted for non-cash flow items:			
Depreciation		**200 598**	172 683
Amortisation of intangible assets		**15 776**	13 317
Loss/(Profit) on disposal of property, plant and equipment		**10 188**	(6 093)
Net movement in retirement benefit asset and obligations		**8 798**	36 642
Value of employee services received under share schemes		**32 991**	26 998
Movements in derivatives		**(56 745)**	(126 987)
Foreign exchange (gains)/losses on cash and cash equivalents		**(27 118)**	4 487
Equity settled share based payment: Isizinda		**–**	552
Gain on impairment reversal of investment in associate		**(6 529)**	–
Other non-cash items		**(227)**	–
Cash generated before working capital changes		**715 698**	743 113
Changes in working capital	B	**68 250**	165 679
Cash generated from operations		**783 948**	908 792
B: CHANGES IN WORKING CAPITAL			
Increase in inventories		**(324 840)**	(40 416)
Decrease/(increase) in trade and other receivables		**271 133**	(128 706)
Increase in trade and other payables		**121 957**	334 801
		68 250	165 679

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

INDEX TO THE NOTES TO THE GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. GENERAL

1.1 BASIS OF PREPARATION

The group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides, the requirements of the Companies Act, no 71 of 2008, as amended, and the Listings Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2.1 to the financial statements. All of which had no material impact on the group's reported results or financial position for the period.

The group financial statements are prepared using the historical cost basis except for certain items as set out in the accounting policies which follow (see the accounting policies relating to derivative financial instruments, share-based payments and government grants).

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

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

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

Changes in accounting estimates resulting from new information or new developments are recognised in the income statement in the period they occur. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

1.2 NEW ACCOUNTING STANDARDS

1.2.1 NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE AND EFFECTIVE WHICH ARE APPLICABLE TO THE GROUP:

Pronouncement	Effective date	Impact
IAS 7, 'Statement of Cash Flows'	1 January 2017	Additional disclosure to evaluate changes in net debt arising from financing activities. See note 3.3 for the disclosure provided.
IAS 12, 'Income taxes'	1 January 2017	Clarification on the requirements for recognising deferred tax assets on unrealised losses. No material impact on the group.
IFRS 12, 'Annual Improvements to IFRS Standards 2014 – 2016 Cycle'	1 January 2017	Clarification on disclosures requirement being applicable to interest in entities classified as held for sale except for summarised financial information. No material impact on the group.

1.2.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE WHICH ARE APPLICABLE TO THE GROUP:

Pronouncement	Effective date	Impact
IFRS 2, 'Share-based payments'	1 January 2018	Clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. **Assessment**: Management anticipates limited impact from the proposed changes and will perform a full assessment before June 2018 interim results are released.

Pronouncement	Effective date	Impact
IFRS 9, 'Financial Instruments'	1 January 2018	Requirements on the classification and measurement of financial assets and liabilities; it also includes an Expected Credit Losses model that replaces the current incurred loss impairment model and revised hedging requirements. **Assessment:** Management will implement IFRS 9, 'Financial Instruments' as from 1 January 2018. Management has elected to defer the implementation of the hedging component of IFRS 9, 'Finacial Instruments' and will continue to account for hedges utilising IAS 39's hedging guidance until management has finalised its revised hedging strategy and related documentation. Management has, during initial investigation, identified that the implementation of the hedging component of IFRS 9, 'Financial Instruments' will allow greater hedge effectiveness (where previously hedges have been ineffective – refer note 7.1) due to the ability to hedge individual component risk within transactions. IFRS 9, 'Financial Instruments' allows the current expensing of forward points through the income statement as instruments unwind which is consistent with management's current treatment of forward points. Management have also assessed the implications of implementing the Expected Credit Losses impairment model on the group's trade receivables. The group will implement the simplified model, utilising an impairment matrix to determine the provision required at period-ends. Historically the group has had minimal write-offs, provisions and claims through the Credit Guarantee Insurance Company and as such the implementation of the provisions matrix is not expected to have a material impact on the financial results.
IFRS 15, 'Revenue from Contracts with Customers'	1 January 2018	Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the good or service transfers to a customer. **Assessment:** Management have performed an assessment of the revenue streams and noted that for certain shipping terms, two distinct performance obligations exist, i.e. the provision of goods (finished products) and services (transportation). The impact of the adoption of IFRS 15 'Revenue from Contracts with Customers', and the impact of the identification of a separate performance obligation for transportation services on transactions with certain specific shipping terms is not expected to result in a material change to the recognition of revenue. The group continues to act as principal in the settlement of all performance obligations. Additional disclosure which will be provided in future financial years includes the quantitative disclosure of revenue earned from the provision of goods and revenue earned from the provision of services and additional narrative descriptions of management's identification of performance obligations and the settlement thereof.
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	The interpretation provides guidance for when a single foreign currency payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice. **Assessment**: Management does not anticipate material changes to the reported results emanating from this IFRIC.
IFRS 16, 'Leases'	1 January 2019	IFRS 16, 'Leases' now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts. **Assessment**: During 2018, management will implement a project to identify all leases, quantify the impact of transitioning to IFRS 16, 'Leases' and investigate the feasibility of implementing an IT solution for leases.

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

Recognition of assets and liabilities

Assets and liabilities are recognised when it is probable that future economic benefits associated with them will flow to and from the 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.

Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive the cash flows have expired, been transferred and or control has passed.

All other assets are derecognised on disposal or when they no longer meet the definition of an "asset" as prescribed by the Framework.

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

1.4 JUDGEMENTS MADE BY MANAGEMENT

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

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-retirement benefit obligations

Actuarial valuations of post-retirement benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, health care costs, inflation rates and salary increments. Management experts are used to assist with valuations of post-retirement benefit obligations. Refer to note 8.2.

Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 8.1 of the group financial statements. Management experts are used to determine the grant date fair value of options granted. Management assesses the likelihood of achieving non-market performance measures based on approved budgets and the business plan.

Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 5.1 and 5.2 of the group financial statements and note 5 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 5.3 of the group financial statements. Forward-looking financial information is baseed on board-approved business plans.

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

The group holds a 38,7% (2016: 38,7%) interest in Isizinda. Management have assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10. These requirements were assessed in conjunction with the substance of various contractual terms including those relating to the funding arrangements and operating activities of Isizinda. Hulamin manages and directs the relevant activities of Isizinda through its Slab Supply Agreement with Isizinda and is exposed to variable returns in the form of dividends and output, which are controlled by Hulamin. The investment in Isizinda is accounted for as a subsidiary.

1.5 EVENTS AFTER THE REPORTING PERIOD

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

1.6 CONTINGENT LIABILITIES

The group has no contingent liabilities as at 31 December 2017 (2016: Rnil).

1.7 FOREIGN CURRENCIES

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the exchange rate ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 currency and presentation currency respectively is the South African rand.

1.8 ROUNDING OF AMOUNTS

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

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE

2.1 REPORTABLE SEGMENT ANALYSIS

The group's reportable segments, which have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and is predominantly based on business segments which is representative of the internal reporting used for management purposes.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. All intra-segment transactions are accounted for under IFRS and eliminated on consolidation. Transactions which represent the sale of a particular segment's finished goods to another segment do not occur and as such no inter-segment revenue is earned.

Revenue

Revenue of the group comprises revenue from the sale of fabricated and semi-fabricated aluminium products.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the International Chamber of Commerce Terms of Trade, where these are applicable. Currently the group does not grant extended terms.

Revenue is measured at the fair value of the consideration received or receivable after eliminating cash and settlement discounts, rebates, Value Added Taxation and other indirect taxes.

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions. The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. In 2015, the group acquired Isizinda Aluminium (Pty) Ltd. This business only supplies slab to Hulamin Rolled Products. The activities of Isizinda Aluminium are integrated into the Hulamin Rolled Products segment. Reportable segments are based and managed in South Africa.

	2017			2016		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from external customers	**9 284 845**	**874 853**	**10 159 698**	9 237 127	862 222	10 099 349
Earnings						
EBITDA*	**712 973**	**41 367**	**754 340**	750 542	56 972	807 514
Depreciation and amortisation	**(190 429)**	**(25 945)**	**(216 374)**	(163 224)	(22 776)	(186 000)
Operating profit	**522 544**	**15 422**	**537 966**	587 318	34 196	621 514
Interest received	**2 876**	**203**	**3 079**	1 309	–	1 309
Interest paid	**(80 699)**	**(5)**	**(80 704)**	(88 005)	–	(88 005)
Profit before tax	**444 721**	**15 620**	**460 341**	500 622	34 196	534 818
Taxation	**(125 920)**	**(2 189)**	**(128 109)**	(139 662)	(10 223)	(149 885)
Net profit for the year	**318 801**	**13 431**	**332 232**	360 960	23 973	384 933
Headline earnings						
Net profit for the year	**318 801**	**13 431**	**332 232**	360 960	23 973	384 933
Loss/(profit) on disposal of property, plant and equipment	**10 158**	**30**	**10 188**	(6 093)	–	(6 093)
Reversal of impairment on associate	**–**	**(6 529)**	**(6 529)**	–	–	–
Tax effect	**(2 844)**	**(8)**	**(2 852)**	897	–	897
	326 115	**6 924**	**333 039**	355 764	23 973	379 737
Total assets	**6 870 355**	**359 711**	**7 230 066**	6 663 575	292 863	6 956 438
Total liabilities	**2 538 395**	**42 994**	**2 581 389**	2 568 152	41 598	2 609 750
Other disclosures						
Additions to property, plant and equipment and intangible assets	**211 767**	**49 267**	**261 034**	299 239	29 168	328 407

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

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Analysis of revenue by product market		
Automotive and transport	**1 418 318**	1 375 543
Building and construction	**225 403**	189 803
General engineering	**3 827 580**	4 048 832
Packaging	**4 688 397**	4 485 171
	10 159 698	**10 099 349**
Geographical analysis of revenue		
South Africa	**4 757 411**	3 995 036
North America	**2 009 306**	2 423 884
Europe	**2 207 767**	2 221 782
Asia	**411 517**	323 885
Middle East	**357 682**	587 140
Australasia	**173 529**	286 268
South America	**226 784**	254 095
Rest of Africa	**15 702**	7 259
	10 159 698	**10 099 349**

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

The Hulamin Rolled Products segment includes revenues of R1 878 million (2016: R1 455 million) which arose from sales to the group's largest customer.

2.2 EARNINGS PER SHARE

Earnings per share

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

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

Headline earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 2/2015 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised earnings per share

Normalised earnings per share is one of the measurement bases which the Hulamin Executive Committee uses in assessing performance and in deciding how to allocate resources. The 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.

Weighted average number of shares

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

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

	December 2017 Number of shares	December 2016 Number of shares
Basic EPS – weighted average number of shares	**319 596 836**	319 596 836
Share options	**11 471 925**	9 064 508
Diluted EPS – weighted average number of shares	**331 068 761**	328 661 344

	2017 R'000	2016 R'000
Earnings per share (cents)		
Basic	**104**	120
Diluted	**100**	117
Headline earnings per share		
Net profit for the year	**332 232**	384 933
Adjustments	**807**	(5 196)
– Reversal of impairment on associate	**(6 529)**	–
– Loss/(profit) on disposal of property, plant and equipment	**10 188**	(6 093)
– Tax effect	**(2 852)**	897
Headline earnings	**333 039**	379 737
Headline earnings per share (cents)		
Basic	**104**	119
Diluted	**101**	116
Normalised earnings per share		
Headline earnings	**333 039**	379 737
Adjusted for (net of tax):		
Equity-settled share-based payment: Isizinda	**–**	552
Normalised earnings	**333 039**	380 289
Normalised earnings per share (cents)		
Basic	**104**	119
Diluted	**101**	116

for the year ended 31 December 2017

2.3 EXPENSES BY NATURE

	2017 R'000	2016 R'000
Aluminium and other material costs	**6 509 230**	6 626 767
Utilities and other direct manufacturing costs	**775 016**	774 329
Employment costs (note 2.3.1)	**1 144 905**	1 048 174
Depreciation (note 5.1)	**200 598**	172 683
Amortisation of intangible assets (note 5.2)	**15 776**	13 317
Repairs and maintenance	**282 028**	257 720
Freight and commissions	**360 746**	365 765
Other operating income and expenditure (note 2.3.2)	**425 759**	287 639
	9 714 058	9 546 394
Classified as:		
Cost of sales	**9 115 128**	8 957 621
Selling, marketing and distribution expenses	**450 277**	443 881
Administrative and other expenses	**148 653**	144 892
	9 714 058	9 546 394

2.3.1 EMPLOYEE BENEFIT COSTS

The cost of short-term employee benefits 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.

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost, net interest expense or income and remeasurement.

The group presents service cost and net interest expense or income in profit or loss. Curtailment gains and losses are accounted for as past service costs.

	2017 R'000	2016 R'000
Employment costs		
Salaries and wages	**1 031 417**	950 403
Retirement benefits costs:		
Defined contribution schemes (note 8.2)	**58 379**	52 236
Defined benefit scheme (note 8.2)	**(7 934)**	(10 551)
Post retirement medical aid costs (note 8.2)	**23 891**	23 444
Retirement gratuities (note 8.2)	**6 161**	5 644
Share incentive costs	**32 991**	26 998
	1 144 905	1 048 174

2.3.2 OTHER OPERATING INCOME AND EXPENDITURE

Other operating income and expenditure includes:

	2017 R'000	2016 R'000
Write-down of inventories	**10 000**	(8 066)
Operating leases	**19 740**	19 303
Decrease in provision for impairment of debtors	**(393)**	(2 852)
Auditors' remuneration (note 2.3.3)	**5 556**	5 475
Equity-settled share-based payment: Isizinda	**–**	552

2.3.3 AUDITORS' REMUNERATION

	2017 R'000	2016 R'000
Audit fees	**4 772**	4 840
Fees for other services	**326**	225
Expenses	**458**	410
	5 556	5 475

2.4 OTHER GAINS AND LOSSES

	2017 R'000	2016 R'000
(Loss)/profit on disposal of property, plant and equipment	**(10 188)**	6 093
Valuation adjustments on non-derivative items (note 7.1)	**(2 175)**	(154 256)
Valuation adjustments on derivative items (note 7.1)	**71 820**	216 722
Insurance income – Claim recoveries	**26 340**	–
Impairment reversal	**6 529**	–
	92 326	68 559

3. DEBT/EQUITY : MEASURES TO ASSESS GROUP LEVERAGE

3.1 NON-CURRENT BORROWINGS

	2017 R'000	2016 R'000
Nedbank loan facility	**162 000**	216 000
Less: Current portion included in current borrowings (note 3.2)	**(54 000)**	(54 000)
	108 000	162 000
Effective interest rate %	**10,44**	10,05

Financial liabilities are initially measured at fair value net of transaction costs.

The Nedbank long-term loan is secured against a mortgage bond of R405 million (2016: R405 million) over land and buildings disclosed in note 5.1.

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

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

As R54 million (2016: R54 million) is due within twelve months from reporting date, it has been reclassified to current borrowings (note 3.2).

for the year ended 31 December 2017

3.2 CURRENT BORROWINGS

		2017 R'000	2016 R'000
Nedbank revolving facilities		**193 963**	362 817
Current portion of term loan (note 3.1)		**54 000**	54 000
Pension fund loan (note 9.6)		**72 736**	73 627
		320 699	490 444
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**9,59**	9,19
Pension fund loan	(%)	**9,72**	7,89

The Nedbank revolving facilities comprise a gross borrowings of R571.5 million (2016: R666.4 million) which has been offset by bank balances of R377.5 million (2016: R303.6 million) in terms of the loan agreements with Nedbank.

The Nedbank revolving facilities are secured against inventories, trade receivables, bank balances, moveable items of property, plant and equipment and also against credit insurance on trade receivables and against insurance on fixed assets.

The terms of the Nedbank revolving facilities require lender pre-approval for the following specified events:

- Incurring additional financial indebtedness in excess of R50 million,
- Encumbering any assets to secure financial indebtedness in excess of R20 million,
- Making loans or guarantees in excess of R20 million,
- Disposing of assets for which the higher of market value or sales price thereof exceeds R20 million,
- Entering into a merger or corporate restructuring, and/or
- Amendments to the aluminium price and exchange rate hedging strategy.

The Nedbank revolving facility requires that the group comply with the following financial covenants:

	2017	2016
Current Ratio	**>1.25**	>1.25
Debt to Equity Ratio*	**<0.5**	<0.5

**As defined in the contractual agreements.*

The group remains within the required covenant ratios.

The obligations of the revolving credit facility have been guaranteed by each of Hulamin Limited and Hulamin Extrusions Proprietary Limited. The debt package is held through Hulamin Operations Proprietary Limited.

The pension fund loan is unsecured and has no fixed terms of repayment. The loan can be recalled at any stage and as such has been classified as current.

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

3.3 NET DEBT RECONCILIATION

This section sets out an analysis of net debt and movements in net debt for the year ended 31 December 2017.

	2017 R'000
Net debt comprises:	
Cash and cash equivalents	**111 472**
Non-current borrowings	**(108 000)**
Current borrowings	**(320 699)**
Net debt (note 7.4)	**(317 227)**
Cash and cash equivalents	**111 472**
Gross debt – variable interest rates	**(428 699)**
Net debt	**(317 227)**

	Assets	Liabilities from financing activities		
	Cash	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 31 December 2016	75 627	(490 444)	(162 000)	(576 817)
Cash flows	8 727	223 745	–	232 472
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	27 118	–	–	27 118
Net debt as at 31 December 2017	**111 472**	**(320 699)**	**(108 000)**	**(317 227)**

3.4 STATED CAPITAL AND CONSOLIDATION SHARES

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

Consolidated shares represent the A and B class ordinary shares issued to the BEE investor company and the ESOP Trust. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, disposed of or reissued.

Authorised

800 000 000 ordinary shares of no par value (2016: 800 000 000 ordinary shares)
31 477 333 A ordinary shares of no par value (2016: 31 477 333 A ordinary shares)
36 072 000 B ordinary shares of no par value (2016: 36 072 000 B ordinary shares)

The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

	2017 R'000	2016 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (fully paid up) (2016: 319 596 836 shares (fully paid up))	**1 817 580**	1 817 580
Issued during year: nil (2016: nil)	**–**	–
Closing balance: 319 596 836 shares of no par value (fully paid up) (2016: 319 596 836 shares (fully paid up))	**1 817 580**	1 817 580
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up) (2016: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 656**	**59 656**

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	2017 R'000	2016 R'000
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares of no par value (fully paid up)	**361**	**361**
(2016: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))		
Total issued stated capital	**1 877 597**	1 877 597
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital	**1 817 580**	1 817 580

A and B ordinary shares
All A ordinary shares and B ordinary shares have voting rights which rank *pari passu* with ordinary shares.

A1 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

Unissued
Under option to employees:
Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 8.1.

Under the control of the directors:
At 31 December 2017, 6 801 529 unissued ordinary shares (2016: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

3.5 DIVIDENDS PER SHARE
Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2017 R'000	2016 R'000
Dividends per share declared		
Final dividend: 15 cents (2016: 15 cents on 319 596 836 ordinary shares)	**47 940**	47 940
Final dividend: 15 cents (2016: 15 cents on 4 721 600 A1 ordinary shares)	**708**	708
Total	**48 648**	48 648

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

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY

4.1 CASH AND CASH EQUIVALENTS
Cash and cash equivalents are measured at fair value and includes cash on hand and deposits held with banks with original maturities of three months or less.

		2017 R'000	2016 R'000
Bank balances		**111 263**	75 307
Cash on hand		**209**	320
		111 472	**75 627**
Interest rate on credit balances	(%)	**5,00**	4,85
Included in bank balances are the following foreign currency denominated accounts:			
Euro		**703**	738
Pound Sterling		**–**	77
Swiss Franc		**–**	11
US Dollar		**26 909**	2 715

Bank balances with a carrying value of R99.9 million (2016: R69.4 million) have been pledged as security for borrowing facilities (note 3.2). For further information on the credit quality of cash refer to the Financial Risk Management section (note 7).

4.2 INVENTORIES

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

The cost is determined on the following basis:

Consumable stores: Weighted average.

Raw materials, WIP and Finished goods: First In – First Out.

	2017 R'000	2016 R'000
The inventory balance consists of:		
Raw materials	**557 382**	494 487
Work-in-progress	**545 828**	424 808
Finished goods	**770 890**	660 134
Consumable stores	**275 961**	245 792
	2 150 061	1 825 221

Inventories with a carrying value of R1 965 million (2016: R1 662 million) are encumbered as security for borrowing facilities (note 3.2).

Certain items of inventory were written down (note 2.3.2) to net realisable value.

4.3 TRADE AND OTHER RECEIVABLES

Financial assets are initially measured at fair value plus transaction costs. Except for financial assets designated as fair value through profit or loss, in which case, these are expensed.

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

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

	2017 R'000	2016 R'000
Financial assets	**1 084 335**	1 375 213
Trade receivables	**1 059 806**	1 333 692
Less: Provision for impairment	**(1 507)**	(1 900)
Net Trade receivables	**1 058 299**	1 331 792
Sundry receivables	**26 036**	43 421
Non-financial assets	**157 628**	137 883
Prepayments	**34 366**	29 963
Value-added taxation receivable	**123 262**	107 920
	1 241 963	1 513 096

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

	2017 R'000	2016 R'000
Receivables that are neither overdue nor impaired	**1 004 788**	1 318 471
Receivables overdue but not impaired	**79 547**	56 742
Overdue by less than 60 days	**58 367**	48 022
Overdue by more than 60 days	**21 180**	8 720
Total financial assets, net of provision for impairment	**1 084 335**	1 375 213

Two debtors comprise 23% (2016: one debtor comprised 17%) of trade receivables. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December 2017, the exposure of the group to trade receivables, neither overdue nor impaired (excluding sundry receivables), in local and overseas markets, and the extent to which these are subject to credit insurance cover is as follows:

		2017 R'000	2016 R'000
Local trade receivables		**347 696**	308 417
– Balance subject to credit insurance	(%)	**96**	97
Export trade receivables		**633 986**	957 094
– Balance subject to credit insurance	(%)	**100**	100
		981 682	1 265 511

Trade receivables covered by credit insurance are subject to a 10% excess on local debtors and 20% excess on export debtors.

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:

	2017 R'000	2016 R'000
At 1 January	**1 900**	4 752
Receivables written off during the year as uncollectible	**(501)**	(2 637)
Net creation/(reduction) during the year	**108**	(215)
At 31 December	**1 507**	1 900

Trade and other receivables with a carrying value of R802.0 million (2016: R1 095.0 million) have been ceded as security for borrowing facilities (note 3.2).

The group is exposed to exchange rate fluctuations on the following uncovered export trade debtors at year-end:

	2017 Foreign amount '000	2017 Rand amount R'000	2016 Rand amount R'000
Euro	**1 113**	**16 545**	13 011
US Dollar	**15 767**	**188 416**	115 184
		204 961	128 195

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

4.4 TRADE AND OTHER PAYABLES

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

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.

	2017 R'000	2016 R'000
Trade payables	**926 530**	887 873
Bonus accrual	**59 520**	80 641
Leave pay	**69 523**	52 758
Current leave obligations expected to be settled after 12 months*	**20 017**	13 190
Current leave obligations expected to be settled within 12 months*	**49 506**	39 568
Sundry accruals and other payables	**207 394**	119 739
	1 262 967	1 141 011

*The entire amount of the leave pay accrual is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12-months.

Due to the short-term nature of the current payables, their carrying amount is considered to be the same as their fair value.

5. LONG TERM ASSETS: UTILISATION OF FIXED AND INTANGIBLE ASSETS

5.1 PROPERTY, PLANT AND EQUIPMENT

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

Items of property, plant and equipment are depreciated over their estimated useful lives to estimated residual values on the straight-line basis, as follows:

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

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

Borrowing costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

The weighted average interest rate used for borrowing costs capitalised is 10,19% (2016: 9,39%).

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	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
2017					
At cost					
Balance at beginning of year	**7 668 217**	**1 057 266**	**6 026 979**	**151 311**	**432 661**
Additions	**256 427**	**4 239**	**56 773**	**6 729**	**188 686**
Borrowing costs capitalised	**21 488**	**–**	**–**	**–**	**21 488**
Capitalised from capital works under construction	**–**	**42 295**	**415 737**	**53 646**	**(511 678)**
Transfers	**(11 407)**	**–**	**–**	**(11 407)**	**–**
Disposals	**(93 503)**	**(200)**	**(90 999)**	**(1 317)**	**(987)**
Balance at end of year	**7 841 222**	**1 103 600**	**6 408 490**	**198 962**	**130 170**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**4 404 717**	**536 097**	**3 768 296**	**100 324**	**–**
Charge for the year (note 2.3)	**200 598**	**17 613**	**172 531**	**10 454**	**–**
Transfers	**(5 371)**	**–**	**–**	**(5 371)**	**–**
Disposals	**(83 315)**	**(200)**	**(81 798)**	**(1 317)**	**–**
Balance at end of year	**4 516 629**	**553 510**	**3 859 029**	**104 090**	**–**
Carrying value at 31 December 2017	**3 324 593**	**550 090**	**2 549 461**	**94 872**	**130 170**
2016					
At cost					
Balance at beginning of year	7 460 903	1 041 343	5 936 296	189 096	294 168
Additions	314 856	6 439	57 346	2 381	248 690
Borrowing costs capitalised	13 162	2 448	5 714	25	4 975
Capitalised from capital works under construction	–	10 615	87 213	17 344	(115 172)
Government Grant (note 9.4)	(57 047)	–	(57 047)	–	–
Transfers	–	(1 991)	232	1 759	–
Disposals	(63 657)	(1 588)	(2 775)	(59 294)	–
Balance at end of year	7 668 217	1 057 266	6 026 979	151 311	432 661
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 294 103	522 574	3 623 558	147 971	–
Charge for the year (note 2.3)	172 683	14 764	147 281	10 638	–
Transfers	–	(1 241)	232	1 009	–
Disposals	(62 069)	–	(2 775)	(59 294)	–
Balance at end of year	4 404 717	536 097	3 768 296	100 324	–
Carrying value at 31 December 2016	3 263 500	521 169	2 258 683	50 987	432 661

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

Moveable items with a carrying value of R87,1 million (2016: R41,7 million) and land and buildings with a carrying value of R198,1 million (2016: R203,1 million) are encumbered as security for borrowing facilities (notes 3.2).

The total depreciation charge is included in cost of sales, R181,2 million (2016: R294,3 million), and inventory, R19,4 million (2016: R20,6 million).

5.2 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 into use the specific software. These costs are amortised over their estimated useful lives, as follows:

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

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

Computer software costs recognised as assets are amortised over their estimated useful lives.

	2017 R'000	2016 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**86 922**	100 213
Disposals	**–**	(2 548)
Transfers	**(6 960)**	(10 743)
Balance at end of year	**79 962**	86 922
Accumulated amortisation		
Balance at beginning of year	**54 948**	64 126
Charge for the year (note 2.3)	**4 632**	5 395
Disposals	**–**	(2 548)
Transfers	**–**	(12 025)
Balance at end of year	**59 580**	54 948
Carrying value at end of year	**20 382**	31 974
Software costs – purchased		
Balance at beginning of year	**77 401**	58 954
Additions	**4 607**	13 551
Borrowing costs capitalised	**218**	1 934
Disposals	**–**	(7 781)
Transfers	**18 340**	10 743
Balance at end of year	**100 566**	77 401
Accumulated amortisation		
Balance at beginning of year	**40 289**	28 124
Charge for the year (note 2.3)	**11 144**	7 922
Disposals	**–**	(7 781)
Transfers	**5 371**	12 024
Balance at end of year	**56 804**	40 289
Carrying value at end of year	**43 762**	37 112
Total software costs		
Cost	**180 528**	164 323
Accumulated amortisation	**(116 384)**	(95 237)
Carrying value at end of year	**64 144**	69 086

Total amortisation is included in cost of sales in the statement of profit or loss.

Capital work in progress included within the total software cost above is Rnil (2016: R19,6 million).

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5.3 IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. Value in use is estimated based on discounted future cash flows expected to be derived from an asset or cash-generating unit (CGU).

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

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

Impairment assessment

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period under review. In the circumstances, and as required by IAS 36, management have assessed the recoverable amounts of the assets (or CGU to which they belong) net of liabilities at the period end. The recoverable amount was determined to be the value in use. The assessment compared the estimated value in use based on forecast future cash flows to the carrying amount. The carrying value of property, plant and equipment balances relating to the Rolled Products CGU was R3,14 billion at 31 December 2017.

Rolled Products Cash Generating Unit

The recoverable amount of these assets at 31 December 2017 was above the carrying amount and no impairment charge is thus required and no reversal of impairment is required.

The key assumptions used in the value in use calculation are consistent with those used in the budget and the five year business plan approved by the board of directors. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. Key assumptions include:

Sales volumes are forecast to grow to 226 000 tons over the period of the business plan.

Rolling margins forecasts take into account anticipated changes in both market conditions and the product mix.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2019 and with reference to inflation differentials thereafter, with the ZAR:USD rate rising from an average of R12,96 in 2018 to R14,64 in 2022.

A pre-tax discount rate of 15,0% (post-tax 12,11%) was used in the calculation and this rate is unchanged from the 15,0% (post-tax 12,23%) used in 2016. The discount rate includes a company specific risk premium of 1% which arises from the company's exposure to volatile exchange rates and is unchanged from the prior year.

Sensitivity analysis

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

- Discount rate: A 1% increase in the pre-tax discount rate would result in an impairment charge, before tax, of R230 million.
- Rolling margins: A reduction in average rolling margins of 5,0% for each year in the forecast period would result in an impairment charge, before tax, of R1 386 million.
- Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period would result in an impairment charge, before tax, of R1 390 million.

Extrusions Cash Generating Unit

The recoverable amount of these assets are above their carrying amount and thus no impairment of the carrying value of the assets of this CGU is required as at 31 December 2017.

5.4 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2017	2016
Property, plant and equipment	**42 527**	109 734

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

6. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

6.1 DETAILS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Basis of consolidation

The group financial statements incorporate the assets, liabilities, income, expenses and cash flows of entities, typically subsidiaries, controlled by the group (including structured entities). Control exists where the group is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The results of entities controlled by the group acquired or disposed of during the year are included in the group income statement from the date the group exercised control, or up until the point it ceases to exercise control. Inter-company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

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

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial position, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36: 'Impairment of Assets' to the extent that the recoverable amount of the investment subsequently increases.

Almin Metal Industries Limited ('Almin'), an associate company, was fully impaired in prior years.

In the current financial year, the previously recognised impairment of R6,5 million was reversed after taking into account the offer to purchase the investment. Refer to note 6.2.

Name	Country of incorporation	% Equity interest 2017	% Equity interest 2016	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Isizinda Aluminium (Pty) Ltd*#	South Africa	**38,7**	38,7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	**49**	49	Manufacture of aluminium profiles

* *Subsidiaries of Hulamin Operations Proprietary Limited.*

\# *Beneficial interest of 100%.*

** *Investment held by Hulamin Extrusions Proprietary Limited.*

All the investments are unlisted.

Special purpose entities

The following special purpose entities have been consolidate:
The 2015 Hulamin Share Ownership Trust
The ESOP Trust
Imbewu SPV 14 Proprietary Limited

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6.2 NON CURRENT ASSETS HELD-FOR-SALE

Disposal groups are classified as assets and liabilities held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

During the financial year, the group received an offer from a third party to acquire the 49% interest which it holds in Almin. The sale was approved by the board and is expected to be completed within 12 months from year-end. The asset is presented within total assets of the Extrusions segment in note 2.1.

The investment in shares is classified as held-for-sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of classification. The fair value was determined with reference to the impending sales agreement. The investment in shares is carried at its original carrying amount.

Details of the non-current asset held-for-sale are as follows:

	2017	2016
Investment in associate	**6 529**	–

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK

Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance, and uses derivative financial instruments to hedge certain risk exposures.

Hedging is carried out by a central treasury department (group treasury) under policies approved by the board of directors, and in close cooperation with the group's operating units.

7.1 MARKET RISK

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities. The values of aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge all currency exposure on aluminium, while the value added portion of export transactions is hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks. The details of the hedge accounting requirements is laid out below.

For every 5% weakening or strengthening of the South African Rand against the US Dollar at 31 December, the after tax profit for the year would have been higher or lower by R9 060 011 (2016: lower or higher by R7 569 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains or losses in currency derivatives. Profit was no more sensitive to movements in currency exchange rates in 2017 than in 2016, 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 R22 333 000 (2016: R37 713 000). The change in equity is mainly from foreign exchange losses or gains on translation of US Dollar-denominated cash-flow hedging instruments.

Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash and profit, the approach is to hedge approximately 50% of the risk using futures contracts. At 31 December 2017, 50% (2016: 50%) 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 R653 581 (2016: R463 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in aluminium prices is a result of commodity price gains or losses on aluminium futures contracts that were all hedged in 2017 and 2016. For this reason, profit was no more sensitive to movement in commodity prices in 2017 than in 2016. The above change in aluminium prices would have resulted in equity being lower or higher by R23 734 000 (2016: R19 122 000). The change in equity is mainly from losses or gains on translation of US Dollar-denominated cash-flow hedging instruments.

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. If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

A cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss. If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

The hedging reserve accumulates all movement in the fair value of financial instruments designated as hedges of transactions that have yet to be recognised on the balance sheet. When the underlying transaction is recognised, the related accumulated hedging reserve is released to the income statement, and reflected in revenue. The release of the hedge reserve follows the hedged item represented by probable forecast sales transactions.

Recognition and measurement of derivative financial instruments

Financial assets

Financial assets classified as fair value through profit or loss are measured at fair value with gains or losses being recognised in profit or loss.

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

Financial liabilities

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

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.

Fair value disclosure

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

This section provides information about the group's financial instruments, including:

- An overview of all financial instruments held by the group
- Specific information about each type of financial instrument

for the year ended 31 December 2017

The group holds the following financial instruments:

	Note	Financial assets at amortised cost	Derivatives used for hedging	Total
2017				
Financial assets				
Trade and other receivables	4.3	**1 241 963**	**–**	**1 241 963**
Derivative financial assets	7	**–**	**143 767**	**143 767**
Cash and cash equivalents	4.1	**111 472**	**–**	**111 472**
		1 353 435	**143 767**	**1 497 202**
Financial liabilities				
Trade and other payables	4.4	**1 262 967**	**–**	**1 262 967**
Borrowings	3.1, 3.2	**428 699**	**–**	**428 699**
Derivative financial instruments	7	**–**	**43 267**	**43 267**
		1 691 666	**43 267**	**1 734 933**

	Note	Financial assets at amortised cost	Derivatives used for hedging	Total
2016				
Financial assets				
Trade and other receivables	4.3	1 513 096	–	1 513 096
Derivative financial assets	7	–	64 445	64 445
Cash and cash equivalents	4.1	75 627	–	75 627
		1 588 723	64 445	1 653 168
Financial liabilities				
Trade and other payables	4.4	1 141 011	–	1 141 011
Borrowings	3.1, 3.2	652 444	–	652 444
Derivative financial instruments	7	–	15 168	15 168
		1 793 455	15 168	1 808 623

The group's exposure to various risks associated with the financial instruments is discussed in this note. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

A Summary of the group's financial instruments used to mitigate foreign exchange and commodity price risk is shown below:

	2017 R'000	2016 R'000
Foreign currency management – firm commitments and probable forecast sales	**58 645**	35 859
Foreign currency management – trade debtors, creditors and import orders	**72 555**	22 229
Commodity price management	**(30 700)**	(8 811)
	100 500	49 277
Grouped as:		
Financial assets	**143 767**	64 445
Financial liabilities	**(43 267)**	(15 168)
	100 500	49 277

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 2017 is R131,2 million (2016: R63,3 million).

The fair value measurement classification of the above financial instruments is level 2 (observable inputs) in accordance with the fair value hierarchy prescribed by IFRS 13. Key inputs used in the determination of fair value relate to London Metal Exchange aluminium prices and currency exchange rates.

The fair value of the financial instruments is determined by applying the methods disclosed in this note.

Foreign currency management – firm commitments and probable forecast sales

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

	2017			2016		
	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	**4 816**	**64 174**	**(7 114)**	3 698	52 329	(2 002)
		64 174	**(7 114)**		52 329	(2 002)
Forward sales						
Euro	**(1 141)**	**(18 142)**	**937**	(714)	(10 701)	686
US Dollar	**(46 906)**	**(652 102)**	**64 822**	(76 959)	(1 097 652)	37 175
		(670 244)	**65 759**		(1 108 353)	37 861
Net total		**(606 070)**	**58 645**		(1 056 024)	35 859
Maturing in:						
2017		**–**	**–**		(1 056 024)	35 859
2018		**(606 070)**	**58 645**		–	–
		(606 070)	**58 645**		(1 056 024)	35 859
Cash flow hedges		**(652 102)**	**64 822**		(1 097 652)	37 175
Fair value hedges		**46 032**	**(6 177)**		41 628	(1 316)
		(606 070)	**58 645**		(1 056 024)	35 859
Grouped as:						
Financial assets			**58 669**			36 255
Financial liabilities			**(24)**			(396)
			58 645			35 859

Fair value hedges

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

Cash flow hedges

The group enters into FECs to hedge US Dollar exposure of the metal component of probable forecast sales. These FECs are hedge accounted and are designated as cash flow hedges, accounted for in accordance with the accounting policy detailed in this note. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the change in the fair value of the total sales transaction to the change in the fair value of the FECs.

Foreign currency management – trade debtors, creditors and import orders

The following forward foreign exchange contracts have been entered into to cover foreign currency risk on trade debtors and creditors balances and import orders, but were not designated as hedging instruments for hedge accounting purposes at the period end:

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	2017 Foreign amount '000	2017 Rand amount R'000	2017 Fair value asset/ (liability) R'000	2016 Foreign amount '000	2016 Rand amount R'000	2016 Fair value asset/ (liability) R'000
Forward purchases						
Euro	**2 199**	**36 773**	**(3 781)**	2 533	39 137	(2 159)
Pound Sterling	**400**	**7 168**	**(443)**	639	11 209	(455)
US Dollar	**5 018**	**66 867**	**(1 025)**	6 586	93 206	(2 193)
		110 808	**(5 249)**		143 552	(4 807)
Forward sales						
Euro	**(12 848)**	**(204 344)**	**13 421**	(13 702)	(205 246)	6 922
Pound Sterling	**(357)**	**(6 614)**	**602**	(1 118)	(19 741)	859
US Dollar	**(61 423)**	**(829 622)**	**63 781**	(56 537)	(795 286)	19 255
		(1 040 580)	**77 804**		(1 020 273)	27 036
Net total		**(929 772)**	**72 555**		(876 721)	22 229
Maturing in:						
2017		**–**	**–**		–	–
2018		**(929 772)**	**72 555**		(876 721)	22 229
		(929 772)	**72 555**		(876 721)	22 229
Grouped as:						
Financial assets			**72 585**			22 475
Financial liabilities			**(30)**			(246)
			72 555			22 229

Commodity price management

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

	2017 Tons	2017 Contracted value R'000	2017 Fair value asset/ (liability) R'000	2016 Tons	2016 Contracted value R'000	2016 Fair value asset/ (liability) R'000
Net aluminium futures purchases/(sales) maturing in:						
2017	**–**	**–**	**–**	(18 175)	(409 922)	(8 811)
2018	**(20 375)**	**(540 018)**	**(30 700)**	–	–	–
	(20 375)	**(540 018)**	**(30 700)**	(18 175)	(409 922)	(8 811)
Grouped as:						
Financial assets			**12 513**			5 715
Financial liabilities			**(43 213)**			(14 526)
			(30 700)			(8 811)
Cash flow hedges			**(38 786)**			(10 495)
Fair value hedges			**8 086**			1 684
			(30 700)			(8 811)

Cash flow hedges

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

Fair value hedges

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

The impact and classification of the fair value measurement of instruments noted above on profit and loss and other comprehensive income is detailed in the table below:

	2017 R'000	2016 R'000
Valuation adjustments on non-derivative items		
Foreign exchange loss on debtors and creditors balances	**(29 293)**	(149 769)
Foreign currency denominated cash balances	**27 118**	(4 487)
	(2 175)	(154 256)
Valuation adjustments on derivative items		
Foreign exchange contracts: debtors and creditors balances	**50 259**	107 469
Foreign exchange contracts: firm commitments	**(4 889)**	(10 834)
Commodity futures: fair value hedges	**(48 672)**	43 078
	(3 302)	139 713
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	**75 122**	77 009
Ineffective portion of all hedges recognised in profit or loss:		
Fair value hedges	**(1 259)**	3 029
Cash flow hedges	**–**	(10 085)
	(1 259)	(7 056)
The following amounts are included in revenue:		
Cash flow hedge losses transferred from equity	**(157 473)**	(4 932)

7.2 INTEREST RATE RISK

The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and the group 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 (2016: nil) and no effect on equity (2016: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period end net debt, the interest expense for the year would have been higher or lower by R2,8 million (2016: R2,9 million).

The group analyses the impact on profit and loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The analysis is only for liabilities that represent the major interest-bearing positions.

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for the year ended 31 December 2017

7.3 CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with a major London Metal Exchange broker which carries an AA credit rating, per Standard and Poor's. Foreign currency counterparty rating of all banks transacted with, as rated by Standard and Poor's, is BB which equals South Africa's rating.

The group's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 4.3 to the annual financial statements. The creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based on the specific amount of credit insurance that can be secured for each new customer. The value of all trade receivables covered by insurance is detailed in note 4.3.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (under the hedging section of this note) and trade and other receivables (note 4.3).

7.4 LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, flexibility in funding is maintained through ensuring availability under committed credit lines. Management monitors rolling forecasts of the group's liquidity reserve, being the excess of available facilities over forecast net borrowings and available cash balances.

The group's facility utilisation (including cash reserves) at the period end was:

	Note	2017 R'000	2016 R'000
Working capital		**1 300 000**	1 300 000
General banking		**350 000**	250 000
Pension fund		**72 736**	73 627
Current facilities		**1 722 736**	1 623 627
Non-current facilities		**162 000**	216 000
Total borrowing facilities		**1 884 736**	1 839 627
Utilised by:			
Non-current borrowings	3.1	**(108 000)**	(162 000)
Current borrowings	3.2	**(320 699)**	(490 444)
Cash and cash equivalents	4.1	**111 472**	75 627
Committed undrawn facilities and cash		**1 567 509**	1 262 810

Non-current facilities comprise a term loan of R162,0 million (2016: R216,0 million) used to fund the upgrade of the aluminium recycling plant in 2015. The loan facility is repayable quarterly in arrears starting on 31 March 2016 and has a remaining four year term.

In addition to the term loan, Hulamin borrowing facilities include a general short-term facility of R350,0 million (2016: R250,0 million), revolving working capital facilities of R1 300 million (2016: R1 300 million) that are committed for a further twelve months, and a pension fund loan facility of R72,7 million (2016: R73,6 million).

As R54,0 million of the term loan is due within twelve months, this has been classified as current and the remainder is classified as non-current. Financial liabilities with maturity dates within the next twelve months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

	Less than one year R'000	One to 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
2016						
Non-current borrowings	–	54 000	54 000	54 000	–	162 000
Current borrowings	490 444	–	–	–	–	490 444
Trade and other payables (excluding employee benefit payables)	1 007 612	–	–	–	–	1 007 612
Derivative financial liabilities	15 168	–	–	–	–	15 168
	1 513 224	54 000	54 000	54 000	–	1 675 224
2017						
Non-current borrowings*	**–**	**63 161**	**57 524**	**–**	**–**	**120 685**
Current borrowings*	**361 169**	**–**	**–**	**–**	**–**	**361 169**
Trade and other payables (excluding employee benefit payables)	**1 098 736**	**–**	**–**	**–**	**–**	**1 098 736**
Derivative financial liabilities	**43 267**	**–**	**–**	**–**	**–**	**43 267**
	1 503 172	**63 161**	**57 524**	**–**	**–**	**1 623 857**

* *Borrowing facilities incur interest at variable rates. As fixed contractual terms are not know in future periods, management has estimated interest charges using a best estimate of the forecast rate and applied this to the average balance for the year.*

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 349 million (2016: R1 585 million) which are payable within a period of three months, including trade payables in the amount of R927 million (2016: R888 million). Trade receivables amounting to R1 058 million (2016: R1 443 million) are recoverable within a period of three months.

Capital risk management

The group's objectives when managing capital are to maintain the optimum mix of liquidity and low cost of capital and to be able to finance future growth.

These objectives result in varying capital ratios, with current and future borrowings being evaluated against the group's expected operating cash flows and capital investment needs. Capital adequacy and liquidity are managed by monitoring gearing ratios, interest cover and debt service ratios.

The group's gearing ratio at the period end was as follows:

	Notes	2017 R'000	2016 R'000
Non-current borrowings	3.1	**108 000**	162 000
Current borrowings	3.2	**320 699**	490 444
Total borrowings		**428 699**	652 444
Less: Cash and cash equivalents	4.1	**(111 472)**	(75 627)
Net borrowings		**317 227**	576 817
Total equity		**4 648 677**	4 346 688
Total capital		**4 965 904**	4 923 505
Gearing ratio % (net debt over total capital)		**6**	12

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8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE

8.1 SHARE BASED PAYMENTS

The group's employee share incentive schemes are accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Monte Carlo Simulation, Black-Scholes and binomial tree valuation models.

BEE transactions

BEE transactions where the group receives or acquires goods or services as consideration for the issue of equity instruments of the group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

Hulamin Limited Share Appreciation Right Scheme 2007

Under the Share Appreciation Right Scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price.

The vesting of the right is conditional on the achievement by Hulamin of performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at December 2016	Rights granted in 2017	Rights exercised in 2017	Rights forfeited/ lapsed in 2017	Number of rights at December 2017	Rights time constrained
R6,91	R1,91	25 May 2011	2 703 404	–	210 368	229 198	2 263 838	–
R3,60	R0,81	22 October 2012	242 439	–	125 709	–	116 730	–
R4,56	R1,35	25 February 2013*	532 997	–	–	–	532 997	–
R6,90	R2,73	24 April 2014	2 814 434	–	161 595	71 142	2 581 697	–
R8,20	R3,17	23 April 2015	2 151 534	–	–	133 348	2 018 186	2 018 186
R6,30	R2,52	22 April 2016	7 875 606	–	81 989	284 325	7 509 292	7 509 292
R6,50	R2,59	26 April 2017	–	7 988 444	–	243 336	7 745 108	7 745 108
			16 320 414	7 988 444	579 661	961 349	22 767 848	17 272 586

* *On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012.The term of the award was 32 months and vested on 22 October 2015.*

The volume-weighted average share price during the year for Hulamin shares was R6,31.

The estimated fair value of these share appreciation rights at grant date was determined using a binomial tree valuation model, based on the following significant inputs:

	2017	2016	2015	2014	2013	2012	2011
Share price at grant date	R6,50	R6,30	R8,20	R6,90	R4,56	R3,60	R6,91
Risk-free interest rate	7,74%	8,02%	7,67%	8,17%	6,44%	6,38%	7,98%
Expected volatility	42,09%	42,29%	40,81%	42,22%	42,70%	40,33%	38,09%
Expected dividends	0,55%	0,50%	0,50%	0,50%	4,0%	9,85%	7,56%
Expected remaining life (months)	76	64	52	40	29	22	5
Contractual life (months)	84	84	84	84	84	84	84

Vesting conditions:
- Time — Three years
- Non-market — An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee.
- Market — None

Hulamin Limited Long-term Incentive Scheme 2007 (with performance conditions)

Under the Long-term Incentive Plan, participating employees are granted conditional awards. These awards are converted into shares in Hulamin on the achievement of Return on Capital Employed (ROCE) and Total Shareholders' Return (TSR) performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2016	Conditional awards granted in 2017	Conditional awards exercised in 2017	Conditional awards forfeited/ lapsed in 2017	Number of conditional awards at December 2017	Conditional time constrained
Nil	R6,35	24 April 2014	2 535 159	–	**1 726 381**	**808 778**	–	–
Nil	R7,60	23 April 2015	2 282 848	–	**21 989**	**73 927**	**2 186 932**	2 186 932
			4 818 007	–	**1 748 370**	**882 705**	**2 186 932**	2 186 932

The volume-weighted average share price during the year for Hulamin shares was R6,31.

The estimated fair value of these conditional share awards at the grant date was determined using a Monte Carlo Simulation model, based on the following significant inputs:

	2015	2014
Share price at grant date	R8,20	R6,90
Risk-free interest rate	7,13%	7,26%
Expected volatility	43,22%	46,74%
Expected dividends	0,50%	0,50%
Expected remaining life (months)	4	–
Contractual life (months)	36	36

Vesting conditions:
- Time — Three years
- Market — Total shareholders' return (TSR)
- Non-market — Return on capital employed (ROCE)

Hulamin Limited Long-term Incentive Scheme 2007 (without performance conditions)

Under the Long-term Incentive Plan, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2016	Conditional awards granted in 2017	Conditional awards exercised in 2017	Conditional awards forfeited/ lapsed in 2017	Number of conditional awards at December 2017	Conditional time constrained
Nil	R6,82	24 April 2014	845 052	–	**844 031**	**1 021**	–	–
Nil	R8,09	23 April 2015	760 946	–	**14 698**	**17 273**	**728 975**	728 975
Nil	R5,67	1 May 2016	145 370	–	–	–	**145 370**	145 370
Nil	R5,81	1 June 2016	87 867	–	–	–	**87 867**	87 867
Nil	R6,44	15 May 2017	–	**78 577**	–	–	**78 577**	78 577
			1 839 235	**78 577**	**858 729**	**18 294**	**1 040 789**	1 040 789

The volume-weighted average share price during the year for Hulamin shares was R6,31.

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The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

	2017	2016	2015	2014
Share price at grant date	**R6,55**	R5,75 (May) R5,89 (June)	R8,20	R6,90
Risk-free interest rate	**7,12%**	7,87% (May) 8,15% (June)	7,13%	7,26%
Expected volatility	**42,09%**	40,42% (May) 40,22% (June)	43,22%	46,74%
Expected dividends	**0,55%**	0,49% (May) 0,48% (June)	0,50%	0,50%
Expected remaining life (months)	**29**	16 (May) 17 (June)	4	–
Contractual life (months)	**36**	36	36	36

Vesting conditions:

– Time	Three years
– Non-market	None
– Market	None

Hulamin Limited Deferred Bonus Plan 2007

Under the Deferred Bonus Plan, participating employees purchased shares in Hulamin with a portion of their after-tax bonus. These pledged shares are held in escrow for a qualifying period, after which Hulamin awards the employee a number of shares in Hulamin Limited which match those pledged shares released from escrow.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2016	**Conditional awards granted in 2017**	**Conditional awards exercised in 2017**	**Conditional awards forfeited/ lapsed in 2017**	**Number of conditional awards at December 2017**	Conditional time constrained
R6,61	R6,74	14 March 2014	14 907	**–**	**14 907**	**–**	**–**	–
R6,84	R8,79	8 May 2015	17 319	**–**	**–**	**–**	**17 319**	17 319
			32 226	**–**	**14 907**	**–**	**17 319**	17 319

The volume-weighted average share price during the year for Hulamin shares was R6,31.

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

	2015	2014
Share price at grant date	R6,84	R6,61
Expected early exercise	Early exercise is taken into account on an expectation basis.	
Expected dividends	The measurement of fair value did not take into account dividends as no dividend was expected.	
Expected remaining life (months)	5	–
Contractual life (months)	36	36

Vesting conditions:

– Time	Three years
– Non-market	None
– Market	None

The Deferred Bonus Shares were purchased by the participating employees on 26 March 2014 and 8 May 2015 in terms of the 2014 and 2015 awards respectively.

Other share incentive schemes

BEE Equity Transactions

Strategic partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The Strategic BEE partners subscribed for 9 018 000 B1 ordinary, 9 018 000 B2 ordinary shares and 18 036 000 B3 ordinary shares at a total cost of R361 000. For accounting purposes the fair value of the transaction at grant date is R20 000 000, which was expensed in full in the 2015 financial year. The share-based payments charge is based on the number of B1 and B2 ordinary shares. The fair value of the B1 share-based payments takes into account an effective grant price of 50% of the 30-day volume weighted average price (VWAP) (R5,83) of the group's ordinary shares on grant date, while the fair value of the B2 share-based payments is based on an effective grant price of 100% of the same VWAP.

The fair value of the transaction was determined using a Black Scholes valuation model using the following significant inputs:

Share price at grant date	R5,49
Expected option life	Five years
Lock in period	Three years
Risk-free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,50%
Expected remaining life	36 months
Contractual life	60 months

Vesting conditions:

– Time	Five years
– Non-market	None
– Market	Share price

2015 Hulamin Share Ownership Plan (ESOP)

On 22 December 2015, the ESOP trust subscribed for 4 721 600 A1 ordinary shares and 26 755 733 A2 ordinary shares. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within stipulated Patterson Bands.

The fair value of the share-based payments takes into account an effective grant price of Rnil for the A1 shares and an effective grant price of the 30-day VWAP of the group's ordinary shares on grant date (R5,83) for the A2 shares, with the grant price reduced by dividends accruing to those shares over the vesting period.

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

Share price at grant date	R5,49
Risk-free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,50%
Expected remaining life	36 months
Contractual life	60 months

Vesting conditions:

– Time	Five years
– Non-market	None
– Market	Share price

Isizinda Aluminium Proprietary Limited (Isizinda)

Bingelela Capital Proprietary Limited (Bingelela)

On 1 July 2015 Isizinda acquired the Bayside casthouse business for a purchase consideration of R100,2 million funded by a loan from Hulamin to Isizinda. At the time Bingelela had a 60% interest and Hulamin had a 40% interest in Isizinda. The interest held by Bingelela is accounted for as a grant of an equity option. The fair value of the option at the grant date was R27,2 million, which was determined on an indirect basis with reference to the intrinsic value of the business. This was determined on an indirect basis with reference to the bargain purchase gain (R51,9 million) and the contributed capital of R4 million from the outside shareholder. The time value component was deemed to be nominal.

Isizinda Employee Share Incentive Scheme Trust (the Trust)

On 2 February 2016, the Trust purchased a 2,53% interest in Isizinda, in equal portions from Bingelela and Hulamin. The interest held by the Trust is treated as a grant of an equity option. The fair value of the option at the grant date was R1,1 million, which was determined on an indirect basis with reference to the intrinsic value of the business.

As at 31 December 2017, Bingelela owned 117 472 shares (58,74%) in Isizinda and the Trust owned 5 056 shares (2,53%). The fair value of these share-based payments take into account an exercise price of nil.

8.2 RETIREMENT BENEFITS

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 cost of providing benefits to the group's defined benefit plan are determined and provided using the projected unit credit actuarial valuation method. Remeasurements, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

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

Post-retirement medical aid benefits and retirement gratuities

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

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 R13.6 million (2016: R12.1 million) and were expensed during the year.

(b) ***Hulamin Pension Fund***

During 2012, members and pensioners accepted an offer made by the fund to convert the benefits of all in service members from defined benefit to defined contribution and to transfer the liabilities for the payment of pensions to an insurer. The group has no further exposure to actuarial or investment risk relating to the defined contribution section of the fund.

In addition to an enhancement of benefits granted by the fund to members and pensioners on conversion, the fund also provided certain members with a further benefit which targeted (but provided no guarantee of), at the date of conversion, equivalent benefits on retirement in terms of the defined contribution basis as would have been obtained had the member remained on the defined benefit basis (the "retirement benefit equalisation value").

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and assets in the employer surplus account was performed in accordance with IAS 19 (revised) at 31 December 2017.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**144 313**	131 552
Present value of funded obligations	**(17 259)**	(14 155)
Pension fund asset at end of year	**127 054**	117 397
Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**14 155**	10 232
Current service cost	**3 145**	2 923
Interest cost	**1 671**	1 411
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 053)**	1 275
Actuarial gains arising from experience adjustments	**(509)**	(1 391)
Benefits paid	**(150)**	(295)
Defined benefit obligation at end of year	**17 259**	14 155
Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:		
Fair value of plan assets at beginning of year	**131 552**	152 524
Actual return on plan assets	**12 941**	9 666
Interest income	**12 750**	14 885
Remeasurements:		
Gain/(losses) on plan assets, excluding amounts included in interest income	**191**	(5 219)
Benefits paid	**(180)**	(295)
Contribution funded from employer reserves	**–**	(30 343)
Fair value of plan assets at end of year	**144 313**	131 552
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**59 766**	55 404
Conservative portfolio	**156**	135
Money market and cash	**11 655**	2 386
Other assets:		
Loan to employer company (note 3.2)	**72 736**	73 627
	144 313	131 552
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**60 008**	55 539

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	2017 R'000	2016 R'000
The amounts recognised in the income statement are as follows:		
Defined benefit plan (retirement benefit equalisation value):	**(7 934)**	(10 551)
Current service cost	**3 145**	2 923
Net interest income	**(11 079)**	(13 474)
Defined contribution plan:	**44 779**	40 112
Employer contribution from reserves (utilisation of employer surplus account)	**–**	30 343
Employer cash contribution	**44 779**	9 769
	36 845	29 561
Amounts recognised in other comprehensive income are as follows :		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 053)**	1 275
Actuarial gains arising from experience adjustments	**(509)**	(1 391)
(Losses)/gain on plan assets, excluding amounts included in interest income	**(191)**	5 219

The average duration of the benefit obligation at 31 December 2017 is 21,6 years (2016: 22,7 years).

		2017 R'000	2016 R'000
Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**10,00**	9,70
Future inflation rate	(%)	**6,70**	6,70
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(554)**	(580)
1% increase in discount rate – effect on the obligation		**(3 044)**	(2 611)
1% decrease in discount rate – effect on current service cost		**692**	733
1% decrease in discount rate – effect on the obligation		**3 805**	3 294

The above sensitivity analysis is 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.

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.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**223 929**	221 019
Liability in the balance sheet	**223 929**	221 019
The liability can be reconciled as follows:		
Balance at beginning of year	**221 019**	195 606
Total expense accrued	**23 891**	23 444
Remeasurements:		
Actuarial (gain)/losses arising from changes in financial assumptions	**(8 221)**	12 026
Actuarial (gain)/losses arising from experience adjustments	**(1 724)**	1 378
Benefit payments	**(11 036)**	(11 435)
Balance at end of year	**223 929**	221 019
Amounts recognised in the income statement are as follows:		
Interest costs	**21 239**	20 964
Current service costs	**2 652**	2 480
	23 891	23 444
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(8 221)**	12 026
Actuarial (gains)/losses arising from experience adjustments	**(1 724)**	1 378
	(9 945)	13 404

Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to a number of risks, principally changes in:

- Financial assumptions:
  - Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability.
  - Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability.
  - Medical inflation rate.
- Demographic assumptions:
  - Withdrawal, pre-retirement mortality and ill-health retirement rates.
  - Post-retirement mortality.
  - Family statistics.

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

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Changes in the principal financial assumptions are detailed below:

		2017 R'000	2016 R'000
Principal financial assumptions:			
Discount rate	(%)	**10,00**	9,70
Future company subsidy rate – in service	(%)	**8,15**	8,15
Future company medical subsidy increase – pensioners	(%)	**8,45**	8,45
Sensitivity of future company subsidy rate:			
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs		**3 537**	3 591
1% increase in future company subsidy rate – effect on the obligation		**29 647**	30 583
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs		**(2 936)**	(2 964)
1% decrease in future company subsidy rate – effect on the obligation		**(24 767)**	(25 411)
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(912)**	(969)
1% increase in discount rate – effect on the obligation		**(24 211)**	(24 907)
1% decrease in discount rate – effect on current service cost		**1 006**	1 074
1% decrease in discount rate – effect on the obligation		**29 432**	30 453

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

The average duration of the benefit obligation at 31 December 2017 is 13,1 years (2016: 13,6 years). This number is analysed as follows:

- active members 19,2 years (2016: 19,9 years)
- retired members 9,7 years (2016: 9,9 years)

	2017 R'000	2016 R'000
Estimated benefits payable by the group in the next financial year	**11 827**	11 182

Retirement gratuities

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

This constructive obligation is unfunded.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**42 838**	37 860
Liability in the balance sheet	**42 838**	37 860
The liability can be reconciled as follows:		
Balance at beginning of year	**37 860**	32 391
Total expense accrued	**6 161**	5 644
Remeasurements:		
– Actuarial (gains)/losses arising from changes in financial assumptions	**(1 370)**	1 690
– Actuarial losses/(gains) arising from experience adjustments	**2 493**	(1 062)
Gratuity payments	**(2 306)**	(803)
Balance at end of year	**42 838**	37 860

	2017 R'000	2016 R'000
Amounts recognised in the income statement are as follows:		
Interest costs	**3 848**	3 679
Service costs	**2 313**	1 965
	6 161	5 644
Amounts recognised in other comprehensive income are as follows:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 370)**	1 690
Actuarial losses/(gains) arising from experience adjustments	**2 493**	(1 062)
	1 123	628

Principal risks
Through its retirement gratuity benefit, the group is exposed to a number of risks, principally changes in:

- Financial assumptions:
  - Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability.
  - Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability.
  - Salary inflation in excess of price inflation.
- Demographic assumptions:
  - Withdrawal, pre-retirement mortality and ill-health mortality rates.
  - Post-retirement mortality.
  - Family statistics.

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

Changes in the principal financial assumptions are detailed below:

		2017 R'000	2016 R'000
Principal financial assumptions:			
Discount rate	(%)	**10,00**	9,70
Future salary inflation rate	(%)	**8,15**	8,15
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**904**	799
1% increase in future salary inflation rate – effect on the obligation		**4 870**	4 357
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(778)**	(685)
1% decrease in future salary inflation rate – effect on the obligation		**(4 241)**	(3 791)

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

The average duration of the benefit obligation at 31 December 2017 is 11,5 years (2016: 11,6 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R933 thousand (2016: R1 million)

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8.3 DIRECTORS' REMUNERATION AND INTEREST

8.3.1 DIRECTORS' REMUNERATION

Directors' and prescribed officer's remuneration during the 2017 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments Note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Note 2 Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi	574 876	374 138	–	–	–	–	949 014	–	949 014	–
LC Cele	108 144	45 834	–	–	–	–	153 978	–	153 978	–
VN Khumalo (Note 3)	216 629	167 332	–	–	–	–	383 961	–	383 961	–
TP Leeuw	344 570	218 502	–	–	–	–	563 072	–	563 072	–
AT Nzimande (Note 4)	139 682	84 768	–	–	–	–	224 450	–	224 450	–
NNA Matyumza	332 815	160 074	–	–	–	–	492 889	–	492 889	–
SP Ngwenya	193 604	83 978	–	–	–	–	277 582	–	277 582	–
PH Staude	269 200	116 142	–	–	–	–	385 342	–	385 342	–
GHM Watson	577 697	351 891	–	–	–	–	929 588	–	929 588	–
N Maharaj	210 564	138 076	–	–	–	–	348 640	–	348 640	–
CA Boles	190 234	172 534	–	–	–	–	362 768	–	362 768	–
B Mehlomakulu	152 117	65 920	–	–	–	–	218 037	–	218 037	–
B Larson (Note 5)	233 114	235 818	–	–	–	–	468 932	–	468 932	–
G Zondi (Note 6)		13 500	–	–	–	–	13 500	–	13 500	–
	3 543 246	2 228 507	–	–	–	–	5 771 753	–	5 771 753	–
Executive										
RG Jacob	–	–	4 527 744	1 939 516	119 184	565 143	7 151 587	1 564 373	8 715 960	1 609 507
AP Krull	–	–	3 333 144	1 281 770	129 314	415 818	5 160 046	848 365	6 008 411	–
MZ Mkhize	–	–	3 102 228	943 774	215 380	386 954	4 648 336	789 476	5 437 812	598 066
	–	–	10 963 116	4 165 060	463 878	1 367 915	16 959 969	3 202 214	20 162 183	2 207 573
Prescribed officer										
HT Molale	–	–	2 629 668	782 612	177 408	327 884	3 917 572	668 958	4 586 530	445 059
	–	–	2 629 668	782 612	177 408	327 884	3 917 572	668 958	4 586 530	445 059
	3 543 246	2 228 507	13 592 784	4 947 672	641 286	1 695 799	26 649 294	3 871 172	30 520 466	2 652 632

Note 1 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.

Note 2 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.

Note 3 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.

Note 4 AT Nzimande was appointed to the board with effect from 1 April 2017.

Note 5 B Larson was appointed to the board with effect from 1 April 2017.

Note 6 G Zondi is an Alternative Non-Executive Director who received an attendence fee for one meeting.

8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.1 DIRECTORS REMUNERATION (CONTINUED)

Executive Committee members' remuneration (excluding acting Executive Committee members) during the 2017 financial year (Note 1):

	Cash package Rand	Bonus and performance related payments Note 2 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	12 212 908	**3 412 873**	573 550	1 522 489	17 721 820	3 055 861	20 777 681	**1 887 166**

Note 1 Excluding executive directors and prescribed officer.

Note 2 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.

Directors' and prescribed officer's remuneration during the 2016 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments Note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Note 2 Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi	493 694	252 043	–	–	–	–	745 737	–	745 737	–
LC Cele	287 214	116 095	–	–	–	–	403 309	–	403 309	–
VN Khumalo (Note 3)	181 912	97 865	–	–	–	–	279 777	–	279 777	–
TP Leeuw	298 259	149 831	–	–	–	–	448 090	–	448 090	–
JB Magwaza	71 660	34 686	–	–	–	–	106 346	–	106 346	–
NNA Matyumza	287 214	131 391	–	–	–	–	418 605	–	418 605	–
SP Ngwenya	181 912	72 387	–	–	–	–	254 299	–	254 299	–
PH Staude	227 443	91 102	–	–	–	–	318 545	–	318 545	–
GHM Watson	544 166	251 028	–	–	–	–	795 194	–	795 194	–
N Maharaj (Note 4)	49 429	25 420	–	–	–	–	74 849	–	74 849	–
CA Boles (Note 5)	37 071	25 420	–	–	–	–	62 491	–	62 491	–
B Mehlomakulu (Note 6)	24 714	12 710	–	–	–	–	37 424	–	37 424	–
	2 684 688	1 259 978	–	–	–	–	3 944 666	–	3 944 666	–

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8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.1 DIRECTORS REMUNERATION (CONTINUED)

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments Note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Note 2 Rand	Total Rand	Gains on exercise of share options Rand
Executive										
RG Jacob	–	–	4 243 848	3 281 810	111 014	529 656	8 166 328	1 875 989	10 042 317	1 028 152
DA Austin (Note 7)	–	–	1 041 420	–	46 982	129 903	1 218 305	–	1 218 305	784 733
AP Krull (Note 8)	–	–	2 082 840	1 366 237	80 298	259 805	3 789 180	824 248	4 613 428	–
MZ Mkhize	–	–	2 905 128	1 659 464	200 611	362 316	5 127 519	790 204	5 917 723	446 062
	–	–	10 273 236	6 307 511	438 905	1 281 680	18 301 332	3 490 441	21 791 773	2 258 947
Prescribed officer										
HT Molale	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	2 684 688	**1 259 978**	**12 738 192**	**7 143 522**	**563 085**	**1 588 975**	**25 978 440**	**4 160 645**	**30 139 085**	**2 577 123**

Note 1 The bonus payments reflected above are in relation to the 2016 year, paid in 2017.
Note 2 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.
Note 3 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.
Note 4 Mr N Maharaj was appointed to the board with effect from 1 September 2016.
Note 5 Mr CA Boles was appointed to the board with effect from 1 October 2016.
Note 6 Dr B Mehlomakulu was appointed to the board with effect from 1 November 2016.
Note 7 Mr DA Austin resigned from the company with effect from 30 April 2016.
Note 8 Mr AP Krull was appointed to the position of CFO to replace Mr Austin with effect from 1 May 2016.

Executive Committee members' remuneration (excluding acting Executive Committee members) during the 2016 financial year (Note 1):

	Cash package Rand	Bonus and performance related payments Note 2 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	8 520 533	4 636 787	416 353	1 062 112	14 635 785	2 537 812	17 173 597	1 217 742

Note 1 Excluding executive directors and prescribed officer.
Note 2 The bonus payments reflected above are in relation to the 2016 year, paid in 2017.

8.3.2 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE-BASED INSTRUMENTS

Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2011	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights granted in 2016	Number of rights at December 2016	Number of rights granted in 2017	Number of rights exercised in 2017	Number of rights lapsed in 2017	Number of rights at December 2017	Rights time constrained
Executive director											
RG Jacob	–	–	633 100	396 925	744 440	1 774 465	**604 005**	**–**	**–**	**2 378 470**	1 141 365
AP Krull		–	–	–	–	–	**327 554**	**–**	**–**	**327 554**	–
MZ Mkhize	261 503	241 172	201 780	138 555	313 573	1 156 583	**304 817**	**–**	**–**	**1 461 400**	452 128
	261 503	241 172	834 880	535 480	1 058 013	2 931 048	**1 236 376**	**–**	**–**	**4 167 424**	1 593 493
Prescribed officer											
HT Molale	–	–	150 157	117 625	265 954	533 736	**258 285**	**–**	**–**	**792 021**	383 579
	–	–	150 157	117 625	265 954	533 736	**258 285**	**–**	**–**	**792 021**	383 579
Grant Price	R6,91	R4,01	R6,90	R8,20	R6,30						
Grant Date	25 May 2011	27 May 2013	24 April 2014	23 April 2015	22 April 2016						

Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions

	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights at December 2016	Number of rights granted in 2017	Number of rights exercised in 2017	Number of rights lapsed in 2017	Number of rights at December 2017	Rights time constrained
Executive director								
RG Jacob	236 998	146 625	383 623	**–**	**236 998**	**–**	**146 625**	146 625
MZ Mkhize	88 064	61 030	149 094	**–**	**88 064**	**–**	**61 030**	61 030
	325 062	207 655	532 717	**–**	**325 062**	**–**	**207 655**	207 655
Prescribed officer								
HT Molale	65 534	51 811	117 345	**–**	**65 534**	**–**	**51 811**	51 811
	65 534	51 811	117 345	**–**	**65 534**	**–**	**51 811**	51 811
Grant price	R6,90	R8,20						
Grant Date	24 April 2014	23 April 2015						

8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.2 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE-BASED INSTRUMENTS (CONTINUED)

Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2014	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of conditional awards at December 2016	**Number of conditional awards granted in 2017**	**Number of conditional awards exercised in 2017**	**Number of conditional awards lapsed in 2017**	**Number of conditional awards at December 2017**	Conditional awards time constrained
Executive director									
RG Jacob	78 999	48 875	–	127 874	–	**78 999**	–	**48 875**	48 875
AP Krull	–	–	145 370	145 370	–	–	–	**145 370**	–
MZ Mkhize	29 355	20 343	–	49 698	–	**29 355**	–	**20 343**	–
	108 354	69 218	145 370	322 942	–	**108 354**	–	**214 588**	48 875
Prescribed Officer									
HT Molale	21 845	17 270	–	39 115	–	**21 845**	–	**17 270**	17 270
	21 845	17 270	–	39 115	–	**21 845**	–	**17 270**	17 270
Grant price	R6,90	R8,20	R5,75						
Grant Date	24 April 2014	23 April 2015	1 May 2016						

Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of conditional awards at December 2016	**Number of conditional awards granted in 2017**	**Number of conditional awards exercised in 2017**	**Number of conditional awards at December 2017**	Conditional awards time constrained
Executive director							
RG Jacob	17 319	–	17 319	–	–	**17 319**	17 319
	17 319	–	17 319	–	–	**17 319**	17 319
Grant Price	R6,84						
Grant Date	8 May 2015						

8.3.3 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE CAPITAL

The aggregate holdings as at 31 December 2017 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2017	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	**762 518**	**–**	**–**	**762 518**
MZ Mkhize	**124 554**	**–**	**–**	**124 554**
	887 072	**–**	**–**	**887 072**
Non-executive				
CA Boles	**60 000**	**–**	**–**	**60 000**
PH Staude	**91 610**	**–**	**–**	**91 610**
GHM Watson	**27 763**	**–**	**–**	**27 763**
	179 373	**–**	**–**	**179 373**
Total	**1 066 445**	**–**	**–**	**1 066 445**

As at 31 December 2016	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	521 934	–	–	521 934
MZ Mkhize	124 554	–	–	124 554
	646 488	–	–	646 488
Non-executive				
CA Boles	60 000	–	–	60 000
LC Cele	10 000	–	–	10 000
PH Staude	91 610	–	–	91 610
GHM Watson	27 763	–	–	27 763
	189 373	–	–	189 373
Total	835 861	–	–	835 861

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

9.1 NET FINANCE COSTS

	2017 R'000	2016 R'000
Interest expense	**80 704**	88 005
Non-current borrowings interest	**19 737**	25 060
Current borrowings interest	**82 455**	78 041
Interest capitalised	**(21 488)**	(15 096)
Interest income	**(3 079)**	(1 309)
Net finance costs	**77 625**	86 696

9.2 DEFERRED TAX

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

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

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

	2017 R'000	2016 R'000
DEFERRED TAX ASSET		
At beginning of year	**25 463**	20 260
Tax credited/(charged) directly to equity	**199**	(707)
Income statement:		
Current year (charge)/credit	**(924)**	3 613
Prior year (charge)/credit	**(2 862)**	728
Deferred tax (charge)/credit in other comprehensive income	**(724)**	1 569
At end of year	**21 152**	25 463
Comprising:		
Fixed assets	**(9 973)**	(7 182)
Retirement benefit obligations and other provisions	**30 840**	31 537
Other	**285**	1 108
	21 152	25 463
Deferred tax asset to be recovered after more than 12 months	**16 981**	17 963
Deferred tax asset to be recovered within 12 months	**4 171**	7 500
	21 152	25 463

	2017 R'000	2016 R'000
DEFERRED TAX LIABILITY		
At beginning of year	**516 533**	486 765
Tax charged directly to equity	**3 408**	39 060
Income statement		
Current year charge/(credit)	**46 956**	(8 858)
Prior year charge/(credit)	**11 017**	(434)
Deferred tax charged in other comprehensive income	**654**	–
At end of year	**578 568**	516 533
Comprising:		
Accelerated tax depreciation	**640 158**	579 973
Provisions and leave pay accruals	**(89 984)**	(102 338)
Defined benefit fund	**35 575**	34 491
Share schemes	**(11 952)**	(4 770)
Hedging reserve	**4 484**	6 030
Other	**287**	3 689
Assessed loss	**–**	(542)
	578 568	516 533
Deferred tax liability to be settled after more than 12 months	**570 720**	529 337
Deferred tax liability to be settled within 12 months	**7 848**	(12 804)
	578 568	516 533

9.3 TAXATION

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

		2017 R'000	2016 R'000
South African normal taxation:			
Current			
Current year charge		**84 221**	161 485
Prior year (over)/under provision		**(17 874)**	2 033
Deferred			
Current year charge/(credit)		**47 881**	(12 471)
Prior year under/(over) provision		**13 881**	(1 162)
		128 109	149 885
South African income tax is levied on the company and its subsidiaries and not the group.			
Tax rate reconciliation			
Normal rate of taxation	(%)	**28,0**	28,0
Adjusted for:			
Capital gains on disposal of property, plant and equipment	(%)	**–**	(0,2)
Prior year (over)/under provision	(%)	**(0,9)**	0,2
Change in capital gains tax inclusion rate	(%)	**0,2**	–
Expenses not deductible for tax purposes	(%)	**0,9**	–
Income not taxable for tax purposes	(%)	**(0,4)**	–
Effective rate of taxation		**27,8**	28,0

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

9.4 GOVERNMENT GRANTS

Grants from the government are recognised as a receivable at their fair value and are deducted against the carrying amount of the assets.

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

9.5 LEASES

Leases are classified as finance leases or operating leases at the inception of the lease. The group has appropriately classified all leases as operating leases.

Rentals payable under operating leases are recognised in the 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.

LEASE COMMITMENTS

	2017 R'000	2016 R'000
Operating lease commitments, amounts due:		
Not later than one year	**19 379**	13 538
Later than one year and not later than five years	**34 194**	17 244
	53 573	30 782
In respect of:		
Property	**5 391**	3 333
Plant and machinery	**48 182**	27 449
	53 573	30 782

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

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

9.6 RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note Further details of such transactions and balances can be found in the Company financial statements. Details of transactions between the group and the pension fund are disclosed below:

	2017 R'000	2016 R'000
Loan from pension fund (refer note 3.2)	**72 736**	73 627

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 8.3.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	5	**3 338 248**	3 294 442
Deferred tax asset	7.1	**18 703**	19 953
		3 356 951	3 314 395
Current assets			
Trade and other receivables	4.1	**28 413**	28 681
Income tax asset		**1 689**	2 377
		30 102	31 058
Total assets		**3 387 053**	3 345 453
EQUITY			
Stated capital		**1 877 597**	1 877 597
BEE reserve		**20 000**	20 000
Employee share-based payment reserve		**71 176**	55 852
Retained earnings		**1 351 261**	1 322 424
Total equity		**3 320 034**	3 275 873
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid provision	6	**66 796**	69 511
		66 796	69 511
Current liabilities			
Trade and other payables		**223**	69
		223	69
Total liabilities		**67 019**	69 580
Total equity and liabilities		**3 387 053**	3 345 453

COMPANY STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
Revenue		**120 116**	114 029
Administrative expenses	2.2	**(14 469)**	(10 857)
Operating profit		**105 647**	103 172
Taxation	7.2	**(30 483)**	(28 888)
Net profit for the year attributable to equity holders of the company		**75 164**	74 284

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Net profit for the year attributable to equity holders of the company	**75 164**	74 284
Other comprehensive income/(loss) for the year		
Items that will not be reclassified to profit or loss:	**2 174**	(3 660)
Remeasurement of post-retirement medical obligation	**3 020**	(5 082)
Income tax effect	**(846)**	1 422
Total comprehensive income for the year attributable to equity holders of the company	**77 338**	70 624

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

	Stated capital R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	**Total equity R'000**
Balance at 31 December 2015	1 877 597	45 707	20 000	1 251 800	**3 195 104**
Net profit for the year	–	–	–	74 284	**74 284**
Other total comprehensive income for the year after tax	–	–	–	(3 660)	**(3 660)**
Value of employee services of subsidiaries	–	26 998	–	–	**26 998**
Settlement of employee share incentives	–	(16 853)	–	–	**(16 853)**
Balance at 31 December 2016	**1 877 597**	**55 852**	**20 000**	**1 322 424**	**3 275 873**
Net profit for the year	–	–	–	75 164	**75 164**
Other total comprehensive income for the year after tax	–	–	–	2 174	**2 174**
Value of employee services of subsidiaries	–	32 966	–	–	**32 966**
Settlement of employee share incentives	–	(17 642)	–	–	**(17 642)**
Dividends paid	–	–	–	(48 501)	**(48 501)**
Balance at 31 December 2017	**1 877 597**	**71 176**	**20 000**	**1 351 261**	**3 320 034**

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2017

		2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	**A**	**144 801**	108 101
Income tax paid		**(29 391)**	(30 434)
Post-retirement medical aid benefits paid (note 6)		**(5 461)**	(6 360)
Net cash inflow from operating activities		**109 949**	71 307
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries		**(43 806)**	(54 454)
Net cash outflow from investing activities		**(43 806)**	(54 454)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of employee share incentives		**(17 642)**	(16 853)
Dividends paid		**(48 501)**	–
Net cash outflow from financing activities		**(66 143)**	(16 853)
Net increase in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–
A: CASH GENERATED BEFORE WORKING CAPITAL CHANGES			
Operating profit		**105 647**	103 172
Adjusted for:			
Post-retirement medical aid accrued expense (note 6)		**5 766**	6 635
Value of employee services of subsidiaries		**32 966**	26 998
Cash generated before working capital changes		**144 379**	136 805
Changes in working capital	**B**	**422**	(28 704)
Cash generated from operations		**144 801**	108 101
B: CHANGES IN WORKING CAPITAL			
Decrease/(increase) in trade and other receivables		**268**	(28 681)
Increase/(decrease) in trade and other payables		**154**	(23)
		422	(28 704)

NOTES TO THE COMPANY FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. GENERAL

1.1 BASIS OF PREPARATION

The company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides, the requirements of the Companies Act, no 71 of 2008, as amended, and the Listings Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2 to the group financial statements. All of which had no material impact on the company's reported results or financial position.

The company financial statements are prepared using the historical cost basis except as set out in the accounting policies which follow i.e. share based payments.

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

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

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

Changes in accounting estimates resulting from new information or new developments are recognised in the income statement in the period they occur. Prior period errors are retrospectively restated unless it is impracticable to do so, in which case they are applied prospectively.

1.2 NEW ACCOUNTING STANDARDS

New and revised standards and interpretations have been highlighted in note 1.2 to the group financial statements. These standards and interpretations will have an immaterial impact on the company financial statements.

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

Recognition of assets and liabilities

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

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

Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive the cash flows have expired, been transferred and or control has passed.

All other assets are derecognised on disposal or when they no longer meet the definition of an "asset" as prescribed by the Framework.

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

1.4 JUDGEMENTS MADE BY MANAGEMENT

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

Post-retirement benefit obligations

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

Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 8.1 of the group financial statements. Management experts are used to determine the grant date fair value of options granted. Management assesses the likelihood of achieving non-market performance measures based on approved budgets and business plan.

2. PERFORMANCE: Measures used to assess performance

2.1 REVENUE

Revenue of the company comprises interest income and management and agency fees.

Revenue is measured at the fair value of the consideration received or receivable.

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

Interest income comprises interest earned on a loan to a subsidiary. Interest income is accrued on a time basis using the effective interest rate method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.2 EXPENSES BY NATURE

	2017 R'000	2016 R'000
Post-retirement medical aid costs	**5 766**	6 635
Auditors' remuneration	**154**	171
Other costs	**8 549**	4 051
	14 469	10 857
Auditors' remuneration		
Audit fees	**154**	145
Expenses	**–**	26
	154	171
Directors' emoluments		
Non-executives Fees	**5 772**	3 945
	5 772	3 945

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

3. DEBT/EQUITY: Measures to assess group leverage

3.1 SHARE CAPITAL AND SHARE PREMIUM

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

Consolidated shares represent the A and B class ordinary shares issued to the BEE investor company and the ESOP Trust. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, disposed of or reissued.

Authorised

800 000 000 ordinary shares of no par value (2016: 800 000 000 ordinary shares of no par value)
31 477 333 A ordinary shares of no par value (2016: 31 477 333 ordinary shares of no par value)
36 072 000 B ordinary shares of no par value (2016: 36 072 000 ordinary shares of no par value)

The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

	2017 R'000	2016 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 ordinary shares of no par value (2016: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
Issued during the year: nil (2016: nil)	**–**	–
Transfer from share premium	**–**	–
Closing balance: 319 596 836 ordinary shares of no par value (2016: 319 596 836 ordinary shares of no par value)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance and closing balance: 4 271 600 A1 and 26 755 733 A2 shares of no par value (2016: 4 271 600 A1 and 26 755 733 A2 shares of no par value)	**59 656**	59 656
B ordinary shares		
Opening balance and closing balance: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2016: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
Total issued capital	**1 877 597**	1 877 597

Unissued

Under option to employees:
Details of the employee share incentive schemes including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in the group financial statements.

Under the control of the directors:
At 31 December 2017, 6 801 529 unissued ordinary shares (2016: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

3.2 DIVIDENDS PER SHARE

Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2017 R'000	2016 R'000
Dividends per share declared		
Final dividend: 15 cents on 319 596 836 ordinary shares (2016: 15 cents on 319 596 836 ordinary shares)	**47 940**	47 940
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2016: 15 cents on 4 721 600 A1 ordinary shares)	**708**	708
Total	**48 648**	48 648

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

4. WORKING CAPITAL: Measures used to assess liquidity

4.1 TRADE AND OTHER RECEIVABLES

Financial assets are initially measured at fair value plus transaction costs. Except for financial assets designated as fair value through profit or loss, in which case, these are expensed.

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

Financial assets carried at amortised cost are reviewed for impairment whenever events or 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 company will not collect all amounts due according to the original terms of receivables. Evidence of impairment may include indications that the debtors are experiencing significant financial difficulty.

	2017 R'000	2016 R'000
Financial assets		
Trade receivables	**28 413**	**28 681**

Trade receivables represent accrued interest on a loan to a subsidiary.

5. INVESTMENTS: Investments in subsidiaries

5.1 INVESTMENT IN SUBSIDIARIES

Subsidiaries are all entities over which the group has control, generally accompanying a shareholding of more than one half of the voting rights.

The company financial statements recognise interests in subsidiaries, which include loans granted to subsidiaries by the company, at cost, except in the case of certain limited group reorganisations where net assets are disposed. In these instances, interests in subsidiaries will be based on the carrying amount of the net assets disposed.

	2017 R'000	2016 R'000
Investment in shares in subsidiaries	**2 498 523**	2 483 512
Loan to subsidiary	**839 725**	810 930
	3 338 248	3 294 442

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares of Hulamin Operations (Pty) Ltd.

The effective interest rate on the loan to subsidiary for the year was 13,7% variable interest (2016: 13,7%).

No repayment terms have been set, and consequently no portion of the loan is considered past due.

The loan to subsidiary is subordinated in favour of Nedbank as security for group borrowings.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
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for the year ended 31 December 2017

6. BENEFITS AND REMUNERATION: Our investment in employees

6.1 POST-RETIREMENT MEDICAL AID BENEFITS

The company has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**66 796**	69 511
Liability in the balance sheet	**66 796**	69 511
The liability can be reconciled as follows:		
Balance at beginning of year	**69 511**	64 154
Total expense accrued	**5 766**	6 635
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 483)**	2 338
Actuarial (gains)/losses arising from changes in experience adjustments	**(1 537)**	2 744
Benefit payments	**(5 461)**	(6 360)
Balance at end of year	**66 796**	69 511
Amounts recognised in the income statement are as follows:		
Interest costs	**5 766**	6 635
	5 766	6 635
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 483)**	2 338
Actuarial (gains)/losses arising from changes in experience adjustments	**(1 537)**	2 744

Principal risks

Through its PRMA subsidy benefit, the group is exposed to a number of risks, principally changes in:

- Financial assumptions:
  - Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability.
  - Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability.
  - Medical inflation rate.
- Demographic assumptions:
  - Post-retirement mortality.
  - Family statistics.

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

Changes in the principal financial assumptions are detailed below:

		2017 R'000	2016 R'000
Principal financial assumptions:			
Discount rate	(%)	**10,00**	9,70
Future company subsidy rate – in service	(%)	**8,15**	8,15
Future company subsidy rate – pensioners	(%)	**8,45**	8,45
Sensitivity of future medical inflation rate			
1% increase in future medical inflation rate			
effect on the aggregate of the service and interest costs		**542**	575
1% increase in future medical inflation rate – effect on the obligation		**5 420**	5 934
1% decrease in future medical inflation rate			
effect on the aggregate of the service and interest costs		**(479)**	(507)
1% decrease in future medical inflation rate – effect on the obligation		**(4 789)**	(5 221)

The above sensitivity analysis is 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 2017 is 8,3 years (2016: 8,6 years).

	2017 R'000	2016 R'000
Estimated benefits payable by the company in the next financial year	**6 660**	6 602

7. OTHER: Other detailed disclosure requirements

7.1 DEFERRED TAX

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

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

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

	2017 R'000	2016 R'000
DEFERRED TAX ASSET		
At beginning of year	**19 953**	17 968
Income statement:		
Current year charge (note 7.2)	**(85)**	562
Prior year over provision	**(319)**	–
Deferred tax (charge)/credit on other comprehensive items	**(846)**	1 423
At end of year	**18 703**	19 953
Comprising:		
Post-retirement medical aid provision	**18 703**	19 945
Other	**–**	8
	18 703	19 953
Deferred tax asset to be recovered after more than 12 months	**18 703**	19 945
Deferred tax asset to be recovered within 12 months	**–**	8
	18 703	19 953

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

7.2 TAXATION

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

		2017 R'000	2016 R'000
South African normal taxation:			
Current			
Current year		**30 049**	29 450
Prior year under provision		**30**	–
Deferred			
Current year (note 7.1)		**85**	(562)
Prior year under provision		**319**	–
		30 483	28 888
Effective rate of taxation	(%)	**28**	28

7.3 RELATED PARTY TRANSACTIONS

During the year the company, in the ordinary course of business, entered into the following related party transactions:

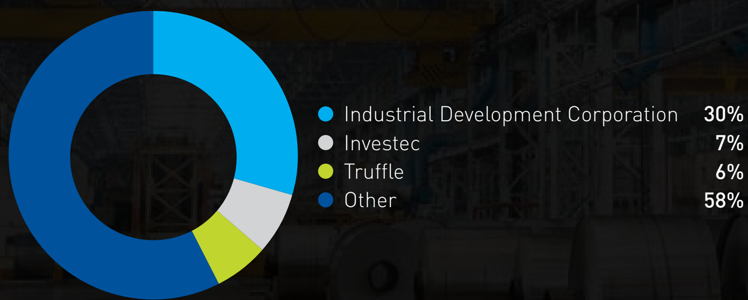
	2017 R'000	2016 R'000
Interest received from subsidiary	**112 424**	109 186
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**7 588**	4 739

Transactions with non-executive directors are detailed in the group annual financial statements.

	2017 R'000	2016 R'000
The following balances were outstanding at the end of the reporting period:		
Loan balance owing by subsidiary (note 5)	**839 725**	810 930

SHAREHOLDER INFORMATION

30%



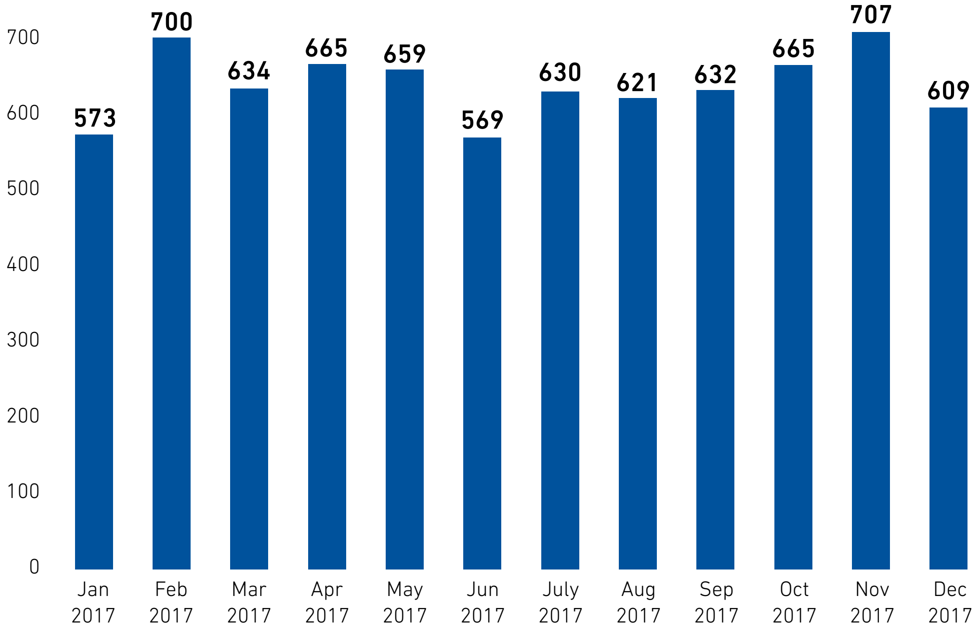
SHARES HELD BY THE LARGEST SINGLE INVESTOR

ANALYSIS OF SHAREHOLDERS

Ordinary shareholders	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
SIZE OF HOLDINGS				
1 – 1 000	2 770	51,46	726 511	0,23
1 001 – 10 000	1 709	31,75	7 184 509	2,25
10 001 –100 000	715	13,28	22 607 271	7,07
100 001 – 1 000 000	143	2,66	42 609 594	13,33
Over 1 000 000 shares	46	0,85	246 468 931	77,12
	5 383	100,00	319 596 836	100,00
PUBLIC/NON-PUBLIC SHAREHOLDERS				
Non-public shareholders	8	0,13	95 705 610	29,95
Directors of the company	5	0,09	1 066 445	0,33
Strategic holding (more than 10%)	1	0,02	94 587 954	29,60
Hulamin Management Share Ownership Trust	2	0,02	51 211	0,02
Public shareholders	5 375	99,87	223 891 226	70,05
Total listed shareholders	5 383	100,00	319 596 836	100,00
BENEFICIAL SHAREHOLDERS HOLDING MORE THAN 5% OF SHARE CAPITAL				
Industrial Development Corporation			94 587 954	29,60
Investec			21 028 102	6,58
Truffle			18 109 868	5,67
Government Employees Pension Fund			16 983 132	5,31
Total			150 709 056	47,16
A AND B ORDINARY SHAREHOLDERS (refer to note 3.4 in the annual financial statements)				
Hulamin ESOP				
A1 ordinary (voting and beneficial)			4 721 600	7,0
A2 ordinary (voting and beneficial)			26 755 733	39,6
BEE strategic partners				
B1 ordinary (voting and beneficial)			9 018 000	13,4
B2 ordinary (voting and beneficial)			9 018 000	13,4
B3 ordinary (voting only)			18 036 000	26,6
Total non-listed A and B ordinary shareholders			67 549 333	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
Dividend	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 78th annual general meeting of shareholders will be held at the company's offices, Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal on Thursday, 26 April 2018 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.

ANNUAL FINANCIAL STATEMENTS

The annual financial statements of the company for the year ended 31 December 2017, including the reports of the directors, the independent auditors and the Audit Committee will be presented at the meeting. The annual financial statements are set out on pages 112 to 174 of the 2017 Integrated Annual Report of which this notice forms part and copies have been distributed to relevant shareholders. The 2017 Integrated Annual Report is available on the company's website, www.hulamin.co.za.

PROPOSED ORDINARY RESOLUTIONS

1. To authorise the directors to appoint Ernst & Young as the independent registered auditors of the company who will undertake the audit for the company for the ensuing year, with Mr Sifiso Sithebe as the individual designated auditor of the company.

   The group Audit Committee has recommended their appointment as independent registered auditors of the company.

2. To re-elect the following directors who retire in accordance with Article 33.11 of the company's Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually (Ms NNA Matyumza, Mr SP Ngwenya, Mr RG Jacob, Mr VN Khumalo and Mr PH Staude). The profiles of the directors up for re-election appear below.

2.1 NOMGANDO NOMALUNGELO ANGELINA MATYUMZA (54)

- Independent non-executive director
- Chairman of the Remuneration and Nomination Committee, and a member of the Audit Committee
- Ordained Minister of Religion
- BCom; BCompt (Hons); CA(SA); LLB

Nomgando has held various positions in financial and general management and was employed between 1994 and 2004 at Transnet Pipelines, firstly as financial manager and then as deputy CEO. From 2004 to 2008 she was employed at Eskom Distribution as general manager for the Eastern Region. Nomgando is presently an ordained Minister of the African Methodist Episcopal Church at Umlazi, KwaZulu-Natal. She is a director on a number of boards, including SASOL Limited, and Standard Bank Group Limited. She was appointed to the Hulamin Board with effect from 1 March 2010.

2.2 SIBUSISO PETER-PAUL NGWENYA (64)

- Non-executive director
- Member of the Transformation, Social and Ethics Committee
- Executive chairman: Makana Investment Corporation
- BCom (Hons)

Following his release from Robben Island in 1991, Peter-Paul joined Engen and later South African Breweries. In 1997 he joined Makana Trust, where he is a founding trustee and former chairman. He later co-founded Makana Investment Corporation of which he is the current executive chairman. He is also the chairman of South African Airlink, Heart 104.9 and Igagasi 99.5 radio stations and Sebenza Forwarding and Shipping Consultancy. He was appointed to the Hulamin Board in 2007 as an alternate to Johannes Bhekumuzi Magwaza and a full director of Hulamin in October 2009.

2.3 RICHARD GORDON JACOB (52)

- Chief Executive Officer
- Member of the Risk and SHE Committee; and a member of the Transformation, Social and Ethics Committee
- BSc (Engineering); MBA

After graduating with a BSc Engineering from the University of Cape Town and following a brief period as an officer in the South African Navy, Richard joined Hulamin in 1990 as an Industrial Engineer. In 1992 he was appointed Manager, Coil Coating Operation, followed by Market and Business Development Manager in 1996. In 2002, Richard was appointed to the Executive Committee and board of Hulett Aluminium, responsible for Coated Products, communication and investor relations. Richard was appointed to the Board of Hulamin in 2007 and as Chief Executive Officer in July 2010.

2.4 VUSI NOEL KHUMALO (55)

- Non-executive director
- Chairman of the Transformation, Social and Ethics Committee; and a member of the Chairman's Committee
- Senior manager: Industrial Development Corporation of SA Limited
- BCom; BCompt (Hons); CA(SA); Global Executive Development Programme

Vusi, a senior manager at Industrial Development Corporation of South Africa Limited, is responsible for managing IDC's investment portfolio. He served articles at Ernst & Young and has held various financial management positions in Anglo American Corporation of South Africa Limited and Edcon Limited. He is also a non-executive director of Ernani Investments (Pty) Limited. He was appointed to the Hulett Aluminium board in 2006 and to the Board of Hulamin in 2007.

2.5 PETER HEINZ STAUDE (64)

- Independent non-executive director
- Chairman of the Risk and SHE Committee; and a member of the Chairman's Committee
- Chief Executive Officer: Tongaat Hulett Limited
- BSc (Ind Eng) (Hons) *(cum laude);* MBA

Peter lectured at the University of Pretoria before joining Hulett Aluminium in 1978. In 1990 he became Managing Director of Hulett Aluminium Rolled Products and in 1996 Managing Director of Hulett Aluminium. He was appointed Chief Executive Officer of Tongaat Hulett in 2002. Peter was chairman of the Hulett Aluminium board from 2002 to 2007 and he was appointed to the Board of Hulamin in 2007. He is also the former chairman of Trade and Investment KwaZulu-Natal.

3. To ratify the appointment by the Board of the following additional directors with effect from 1 April 2017 in accordance with Article 33.9 of the company's Memorandum of Incorporation. Motions for ratification of appointment will be moved individually (Ms AT Nzimande and Mr RL Larson). The profiles of the directors appear below.

3.1 AMANDA TANDIWE NZIMANDE (47)

- Non-executive director
- Member of the Transformation, Social and Ethics Committee
- CA(SA), Higher Diploma in Company Law

Tandi Nzimande, a chartered accountant, has had a varied career, spanning corporate finance at Deutsche Securities, to running her own small business, sitting on various boards, and until 2016, being CFO at WDB Investment Holdings. Tandi serves on the FirstRand and Verimark boards. Tandi is also a trustee of the FirstRand Foundation and of the Hollard Foundation Trust (HFT) and also sits on the boards of Harambee, and the KYB ECD Incubator, both programmes of the HFT.

3.2 ROBERT LENNARD LARSON (62)

- Non-executive director
- BA, MS

During a career that spanned nearly 40 years, Bob most recently served as CEO of Novipax LLC, the leading producer of absorbent pads and expanded polystyrene foam trays in North America. In addition to his role as CEO of Novipax, Bob served as an Operating Partner of Atlas Holdings LLC and was instrumental in the private equity firm's acquisition of Alcoa's aluminium rolled products business in Europe in 2014. Prior to joining Novipax, Bob spent nearly six years with The Rank Group Limited, a private investment firm based in New Zealand. Before Rank, Bob enjoyed a successful career with Alcoa.

4. To elect the following independent non-executive directors as members of the group Audit Committee and to appoint Mr N Maharajh as chairman of the group Audit Committee. Motions for election will be moved individually.

4.1 MR N MAHARAJH (CHAIRMAN)
4.2 MR CA BOLES
4.3 MS NNA MATYUMZA (SUBJECT TO THE ADOPTION OF 2.1 ABOVE)

The profiles of the directors eligible for re-election and election other than for Ms NNA Matyumza (whose profile appears under item 2.1 above) appear below:

4.4 NARAN MAHARAJH (51)

- Independent non-executive director
- Member of the Audit Committee
- Director of BCA Inc.
- CA(SA)

Naran is a practicing chartered accountant and a director of BCA Inc. He completed his training with PwC. He was then appointed as a lecturer in the department of Accountancy at the University of KwaZulu-Natal. He was one of the founding partners of KMMT Brey. In 1999 the firm merged with KPMG and Naran was appointed as a director of KPMG. In 2007 he left KPMG to set up BCA Inc – a firm specialising in providing audit, accounting and business advisory services. He currently serves as a director of Comair Limited. He is also a member of the Council of the University of KwaZulu-Natal and chairman of the Audit Committee of the South African Sugar Association. He has previously served as non-executive director of Mercedes-Benz South Africa Limited and Masonite Africa Limited. He was appointed to the Hulamin Board on 1 September 2016.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

4.5 CHARLES ALEXANDER BOLES (48)

- Independent non-executive director
- Member of the Remuneration and Nomination Committee
- CA(SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA *(cum laude)*

Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Hulamin Board on 1 October 2016.

Note: Ages quoted for all Board members are at 31 December2017.

5. APPROVAL OF THE PROPOSED EQUITY-SETTLED CONDITIONS SHARE PLAN

The company proposes adopting a new share plan, namely the Hulamin Limited Equity-Settled Conditional Share Plan ("**ECSP**"), which has been reviewed and approved by the JSE, in order to replace the existing Share Appreciation Right Scheme 2007, the Long Term Incentive Plan 2007 and the Deferred Bonus Plan 2007 schemes, which have failed to meet the objectives of aligning management interests with those of the shareholders, and lost their retention value to participants. A brief summary of the salient features of the proposed ECSP is included in the notice as Annexure B.

"Resolved that the company's Equity-Settled Conditional Share Plan "ECSP", a copy of which will be initialled by the Chairman of the Annual General Meeting for purposes of identification and tabled at the Annual General Meeting, the salient features of which are set out in Annexure B of this Notice of AGM, be and is hereby approved and that the directors of the company be and are hereby authorised to take all such steps as may be necessary for the establishment and carrying into effect of the ECSP."

PROPOSED SPECIAL RESOLUTIONS

6. APPROVAL OF NON-EXECUTIVE DIRECTORS' FEES

Directors' fees were approved at the annual general meeting held on 26 April 2017 and are applicable for the 12-month period ending 31 July 2018.

The Board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2018, be as set out below.

			Present fees to 31 July 2018		Proposed fees from 1 August 2019	
			Retainer per annum R	Attendance per meeting R	Retainer per annum R	Attendance per meeting R
Hulamin Board						
Chairman			430 980	36 940	**454 680**	**38 970**
Non-executive directors			157 480	13 500	**166 140**	**14 240**
Audit Committee						
Chairman			113 340	16 190	**119 570**	**17 080**
Non-executive directors	– member		65 860	9 410	**69 480**	**9 930**
	– invitee		–	9 410	**–**	**9 930**
Risk and Safety, Health and Environment Committee						
Chairman			78 260	11 180	**82 560**	**11 790**
Non-executive directors	– member		42 950	6 140	**45 310**	**6 480**
	– invitee		–	6 140	**–**	**6 480**
Remuneration and Nomination Committee						
Chairman			78 260	11 180	**82 560**	**11 790**
Non-executive directors	– member		42 950	6 140	**45 310**	**6 480**
	– invitee		–	6 140	**–**	**6 480**
Transformation, Social and Ethics Committee						
Chairman			78 260	11 180	**82 560**	**11 790**
Non-executive directors	– member		42 950	6 140	**45 310**	**6 480**
	– invitee		–	6 140	**–**	**6 480**
Ad Hoc Board Committee (For example Chairman's Committee)						
Chairman			78 260	11 180	**82 560**	**11 790**
Non-executive directors	– member		42 950	6 140	**45 310**	**6 480**
	– invitee		–	6 140	**–**	**6 480**
Hulamin Board – International directors						
Non-executive directors		(€)	30 522	2 615	**30 797**	**2 638**
Non-executive directors		($)	30 522	2 615	**31 163**	**2 669**

SPECIAL RESOLUTION NUMBER 1

"Resolved as a special resolution that the proposed fees, set out above, payable to non-executive directors for their services as directors on the Board and on Board Committees and as invitees to board committees, when invited by the chairman of the Board Committee to attend a meeting as an invitee, for the 12-month period commencing 1 August 2018, be and are hereby approved."

As regards the attendance fee, the Board of Directors typically holds five meetings a year and there are normally three meetings for the Remuneration and Nomination Committee a year and three meetings for each of the other sub-committees of the Board.

Shareholder approval is also requested to remunerate non-executive directors who participate in a specially constituted ad hoc Board sub-committee as detailed in the table above, and to remunerate non-executive directors who attend a board sub-committee meeting as an invitee at the request of the chairman of the Board sub-committee.

7. AMENDMENTS OF MEMORANDUM OF INCORPORATION ("MOI")

7.1 PROXIES

A recent judgement of the Supreme Court of Appeal (Barry v Clearwater Estates NPC & Others 2017 (3) SA 364) ruled that a proxy may be delivered to the company "at any time" as provided in section 58(1) of the Companies Act and that a time limit which renders a proxy instrument invalid if delivered late, is void.

In light of this judgement, it is necessary to amend clause 31.6 of the company's Memorandum of Incorporation which currently requires that a copy of the instrument appointing a proxy must be delivered to the company not less than 48 (forty-eight) hours before the commencement of the meeting at which the proxy is intended to be used.

SPECIAL RESOLUTION NUMBER 2.1

"Resolved as a special resolution that clause 31.6 of the company's Memorandum of Incorporation be and is hereby substituted with the following clause:

'A copy of the instrument appointing a proxy must be delivered to the recipient named in the notice of the meeting before the commencement of the meeting at which the proxy is intended to be used.'"

7.2 AMENDMENTS TO SCHEDULE B – RIGHTS, LIMITATIONS AND OTHER TERMS OF A1, A2, B1, B2 AND B3 ORDINARY SHARES

In 2015 when shareholders adopted Hulamin's revised MOI incorporating Schedule B which sets out the terms of the new A and B ordinary shares, the completion date as defined in the MOI had not yet occurred, as shareholders' approval was one of the conditions precedent. The value of the caps on the A and B ordinary shares could only be determined on completion date, following the fulfilment of all conditions precedent. Since completion date the value of the caps were determined by Hulamin's appointed valuation advisor, and hence the changes proposed below.

The Board has proposed the following amendments to items 2.7, 3.7 and 4.7 of Schedule B of the company's Memorandum of Incorporation (Terms of A1, A2, B1, B2 and B3 Ordinary Shares).

7.2.1 In paragraph 2.7, the description of the "P1" component of the formula is amended by deleting the words "or if the company's ordinary shares are no longer trading on the JSE, the market value of the shares determined in accordance with Appendix A to this Schedule B" so that this reads as follows:

"P1 = R5.83 (VWAP during the 30 JSE trading days preceding the Completion Date);".

7.2.2 In paragraph 2.7, the reference to "Appendix A" in the P2 component of the formula is substituted with a reference to "Appendix 1".

7.2.3 In paragraph 2.7, the description of the "C" component of the formula is deleted in its entirety and replaced with the following:

"C = R11.96."

7.2.4 In paragraphs 3.7 and 4.7, the description of the "P1" component of the formula is amended by deleting the words "or if the company's ordinary shares are no longer trading on the JSE, the market value of the shares determined in accordance with Appendix 1 to this Schedule B" so that this reads as follows:

"P1 = R5.83 (VWAP during the 30 JSE trading days preceding the Completion Date);".

7.2.5 In paragraphs 3.7 and 4.7, the description of the "C" component of the formula is deleted in its entirety and replaced with the following:

"C = R8.10;"

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

SPECIAL RESOLUTION NUMBER 2.2

"Resolved as a special resolution that the following amendments to Schedule B to the company's Memorandum of Incorporation be and are hereby authorised:

2.2.1 In paragraph 2.7, the description of the "P1" component of the formula is amended by deleting the words "or if the company's ordinary shares are no longer trading on the JSE, the market value of the shares determined in accordance with Appendix A to this Schedule B" so that this reads as follows:

"P1 = R5.83 (VWAP during the 30 JSE trading days preceding the Completion Date);".

2.2.2 In paragraph 2.7, the reference to "Appendix A" in the P2 component of the formula is substituted with a reference to "Appendix 1".

2.2.3 In paragraph 2.7, the description of the "C" component of the formula is deleted in its entirety and replaced with the following:

"C = R11.96."

2.2.4 In paragraphs 3.7 and 4.7, the description of the "P1" component of the formula is amended by deleting the words "or if the company's ordinary shares are no longer trading on the JSE, the market value of the shares determined in accordance with Appendix 1 to this Schedule B" so that this reads as follows:

"P1 = R5.83 (VWAP during the 30 JSE trading days preceding the Completion Date);".

2.2.5 In paragraphs 3.7 and 4.7, the description of the "C" component of the formula is deleted in its entirety and replaced with the following:

"C = R8.10."

8. 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 3

"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."

9. GENERAL AUTHORITY TO REPURCHASE SHARES IN THE COMPANY

9.1 The reason for Special Resolution Number 4 is to grant the company's board of directors a general authority in terms of section 48(8) of the Companies Act and the JSE Listings Requirements, up to and including the date of the following annual general meeting of the company, to approve the company's acquisition of its own shares, or to permit a subsidiary of the company or any trust controlled by the company to acquire shares in the company. The directors require that such general authority should be implemented in order to facilitate the repurchase of the company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the company and its shareholders.

SPECIAL RESOLUTION NUMBER 4

"Resolved as a special resolution that the Board of directors is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, in terms of the provisions of the Listings Requirements of the JSE Limited ("**JSE**") and as permitted by the company's Memorandum of Incorporation, to approve the purchase by the company of its ordinary shares, and/or the purchase of ordinary shares in the company by any of its subsidiaries or any trust controlled by the company, upon such terms and conditions and in such amounts as the board may from time to time determine, but subject to the Memorandum of Incorporation of the company, the provisions of the Companies Act and the Listings Requirements of the JSE, when applicable, and provided that:

- the general repurchase by the company of ordinary shares in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the company's issued ordinary share capital as at the beginning of the financial year from the date of the grant of this general authority;
- any such repurchase of securities shall be implemented through the order book operated by the JSE trading system and without any prior understanding or arrangement between the company and the counter party;
- this general authority shall only be valid until the company's next annual general meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the company will only appoint one agent at any point in time to effect any repurchase(s) on its behalf;
- general repurchases by the company and/or any subsidiary of the company and/or any trust controlled by the company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date of the repurchase of such ordinary shares by the company and/or any subsidiary of the company and/or any trust controlled by the company;

- the company and/or any subsidiary of the company and/or any trust controlled by the company may not repurchase securities during a prohibited period, as detailed in the JSE Listings Requirements, unless the company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and has been submitted to the JSE in writing prior to the commencement of the prohibited period. The company must instruct an independent third party, which makes its investment decisions in relation to the company's securities independently of and uninfluenced by the company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- a SENS and press announcement will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the company and/or any subsidiary and/or any trust controlled by the company has in terms of this general authority, repurchased ordinary shares constituting on a cumulative basis 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter."

9.2 STATEMENT OF DIRECTORS

Shares repurchased by the company and/or any subsidiary of the company and/or any trust controlled by the company may either be held in treasury, or cancelled and restored to the status of authorised and unissued shares in the company. The board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors have considered the effect of the maximum repurchase and are of the opinion that, for a period of 12 months after the date of the repurchase:

- the company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the company and the group will be in excess of the liabilities of the company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the company and the group will be adequate for ordinary business purposes;
- the working capital of the company and the group will be adequate for ordinary business purposes; and
- a resolution by the Board of directors of the company has been passed authorising the repurchase and confirming that the company and its subsidiaries have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the group.

9.3 MATERIAL CHANGES

Other than the facts and developments reported on in the Integrated Annual Report, there have been no material changes in the financial or trading position of the company and its subsidiaries between 31 December 2017 (being the last financial year end) and the date of this notice.

9.4 RESPONSIBILITY STATEMENT

The directors, whose names appear on page 34 of the Integrated Annual Report, jointly and severally accept full responsibility for the accuracy of the information pertaining to special resolution number 4 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Companies Act and the JSE Listings Requirements.

9.5 ADDITIONAL DISCLOSURES IN TERMS OF THE JSE LISTINGS REQUIREMENTS

Other disclosures in terms of the JSE Listings Requirements are contained elsewhere in the Integrated Annual Report, of which this notice forms part, as follows:

- Major shareholders of the Company Page 178
- Share capital of the Company Page 170

10. REMUNERATION POLICY – NON-BINDING ADVISORY VOTE

The King IV Report on Corporate Governance and the JSE Limited Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the AGM. In accordance with the provisions of the JSE Listings Requirements, the company shall give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

"Resolved that the company's remuneration policy for financial year-end 31 December 2017, as set out in the remuneration report set out on pages 88 to 99 of the integrated report of which this notice forms part, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

11. IMPLEMENTATION REPORT – NON-BINDING ADVISORY VOTE

"Resolved that the company's implementation report, as set out in the remuneration report set out on pages 88 to 99 of the integrated report of which this notice forms part, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

12. OTHER MATTERS

- Report back from the Transformation, Social and Ethics Committee on social and ethics matters pertaining to the company, which is attached hereto as Annexure A.
- To transact such other business as may be transacted at an annual general meeting.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

RECORD DATES

The date on which shareholders must be recorded as such in the share register maintained by the transfer secretaries of the company for purposes of being entitled to receive the notice for the annual general meeting to be held on Thursday, 26 April 2018 is Friday, 16 March 2018.

The record date on which shareholders must be recorded as such in the register maintained by the transfer secretaries of the company for the purposes of being entitled to attend and vote at the annual general meeting, is Friday, 20 April 2018. The last day to trade for the purposes of being entitled to attend and vote at the annual general meeting is therefore Tuesday, 17 April 2018.

VOTING AND PROXIES

Any shareholder who holds certificated ordinary shares in the company or who holds dematerialised ordinary shares in the company through a Central Securities Depository Participant ("**CSDP**") and who has selected "own name" registration, may attend, speak and vote at the annual general meeting or may appoint any other person or persons (none of whom need be a shareholder) as a proxy or proxies, to attend, speak and vote at the annual general meeting in such shareholder's stead.

Should any shareholder who holds dematerialised ordinary shares in the company and who has not selected "own name" registration, wish to attend, speak and vote at the annual general meeting, such shareholder should timeously inform his CSDP or broker for the purposes of obtaining the necessary letter of representation from such shareholder's CSDP or broker to attend the annual general meeting or timeously provide such shareholder's CSDP or broker with such shareholder's voting instruction in order for the CSDP or broker to vote on such shareholder's behalf at the annual general meeting.

On a show of hands, every shareholder of the company present in person or represented by proxy shall have one vote only. On a poll, every shareholder of the company shall have one vote for every share held in the company by such shareholder.

A proxy form is enclosed for use by shareholders holding certificated ordinary shares in the company or dematerialised ordinary shares in the company through a CSDP and who have selected "own name" registration. Shareholders are requested to forward the duly completed form of proxy to the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (PO Box 61051, Marshalltown, 2107) by 15:00 on Tuesday, 24 April 2018. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement. The completion of a proxy form will not preclude a shareholder from attending the annual general meeting. Shareholders are encouraged to attend the annual general meeting. All meeting participants (including proxies) will be required to provide identification reasonably satisfactory to the chairman of the meeting. Acceptable forms of identification include valid identity documents, passports and driver's licences.

ELECTRONIC PARTICIPATION BY SHAREHOLDERS

Should any shareholder (or any proxy for a shareholder) wish to participate in the annual general meeting by way of electronic participation, that shareholder should make application in writing (including details as to how the shareholder or its representative (including its proxy) can be contacted) to so participate to the transfer secretaries, at their address below, to be received by the transfer secretaries by no later than 15:00 on Tuesday, 17 April 2018 in order for the transfer secretaries to arrange for the shareholder (or its representative or proxy) to provide reasonably satisfactory identification to the transfer secretaries for the purposes of section 63(1) of the Companies Act and for the transfer secretaries to provide the shareholder (or its representative) with details as to how to access any electronic participation to be provided.

The company reserves the right to elect not to provide for electronic participation at the annual general meeting in the event that it determines that it is not practical to do so. The costs of accessing any means of electronic participation provided by the company will be borne by the shareholder (or its representative or proxy). It should be noted, however, that voting will not be possible via the electronic facilities and shareholders wishing to vote their shares will need to be represented at the meeting either in person, by proxy or by letter of representation, as provided for in the annual general meeting notice.

Registered office
Moses Mabhida Road
Pietermaritzburg
KwaZulu-Natal

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg, 2196
(PO Box 61051, Marshalltown, 2107)

ANNEXURE A

THE CHAIRMAN OF THE TRANSFORMATION, SOCIAL AND ETHICS COMMITTEE FEEDBACK REPORT

The Chairman of the Transformation, Social and Ethics Committee, Mr VN Khumalo, advised that the following, *inter alia*, were discussed at the Transformation, Social and Ethics Committee meetings held during 2017.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act, King IV Code of Corporate Governance and the annual workplan
- Evaluation of the Transformation, Social and Ethics Committee
- Strategy on how Hulamin will achieve its transformation, social and ethics goals
- Employment equity targets and the progress made in achieving same
- Hulamin's BEE scorecard report and the impact of the new B-BBEE codes on Hulamin's score
- Environmental sustainability matters and Hulamin's carbon footprint
- Report on disputes and stakeholder engagement issues
- Report on Hulamin's contribution to the greater Pietermaritzburg area and Hulamin's granting of sponsorships, donations and charitable giving
- Report on the educational development of employees
- Report on labour regulatory compliance
- Assurance from the Risk and Safety, Health and Environment Committee that appropriate safety, health and environment policies are implemented
- Assurance on the implementation of Hulamin's compliance policies in customer dealings
- Review of the following codes and policies:
  - Stakeholder engagement policy
  - Code of ethics incorporating code of conduct and ethics pertaining to the procurement staff
  - Code of conduct for suppliers and service providers
  - Corporate compliance policy
  - Whistle blowing policy
  - Crimes involving dishonesty
  - Conflict of interest and gifts policy for employees.
- Noting the fraud policy and fraud prevention strategy approved by the Audit Committee.

In addition, the committee, whose terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to: social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the group.
2. The group complies with the Employment Equity and Black Economic Empowerment Acts. Specific targets have been set for the company to increase its levels of compliance with these Acts over the short to medium term.
3. The group complies with its Code of Ethics. The Code of Ethics of the group requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the Board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

ANNEXURE B

SALIENT FEATURES: HULAMIN LIMITED EQUITY-SETTLED CONDITIONAL SHARE PLAN

INTRODUCTION

Hulamin Limited ("**Hulamin**" or "**the company**") propose adopting a new share plan, namely the Hulamin Limited Equity-Settled Conditional Share Plan ("**ECSP**").

The purpose of the ECSP is to attract, retain and reward employees of the company, subsidiaries of the company from time to time.

This will be achieved by providing them with the opportunity of receiving shares in the company through the award of either conditional rights to performance shares ("**Performance Shares**"), bonus shares ("**Bonus Shares**") and/or retention shares ("**Retention Shares**").

The ECSP will provide participants with the opportunity to share in the success of the company and to be incentivised to deliver on the business strategy of the company over the long term, providing alignment between the Participants and shareholders.

The ECSP provides that the Performance Shares, Bonus Shares and/or Retention Shares (collectively referred to as "Conditional Shares") be awarded on the following basis:

- For an award of Performance Shares, the vesting thereof is subject to the satisfaction of performance condition and the employment condition in line with the group's approach of performance related incentives;
- For an award of Bonus Shares, the value will be determined as a percentage of the STI based on performance in the previous financial year, and the vesting is subject only to the satisfaction of the employment condition;
- For an award of Retention Shares, the vesting thereof is subject to the satisfaction of the employment condition, where the Remco recognises critical retention requirements relating to key talent instrumental in delivering the group's business strategy.

PARTICIPANTS [14.1(A)]

Participation in terms of the ECSP will include all employees holding a permanent salaried employment or office with any company in the group. Final discretion regarding participation will remain with the Remuneration and Nomination Committee ("**Remco**").

RIGHTS OF PARTICIPANTS [14.1(E)]

Participants will not be entitled to any shareholder rights before the settlement of the awards on vesting, which occurs at the end of the vesting period. On settlement, shares will be registered in the name of the participants and they will have all shareholder rights, including dividend and voting rights.

BASIS OF AWARDS AND AWARD LEVELS [14.1(F)]

In line with best practice, regular annual awards of Performance Shares and Bonus Shares will be made to ensure long-term shareholder value creation and alignment with acceptable market norms. The ECSP provides for the award of Retention Shares, for use in specific cases where there is a critical retention risk. This separate arrangement for retention is in line with remuneration governance principles, which recommends that any retention policy/awards should be ring-fenced and disclosed separately. The awarding of Retention Shares will not form part of the annual award policy.

Award levels for Performance Shares, Bonus Shares and/or Retention Shares will be decided by the Remco each time that awards are granted, by taking into account the particular circumstances at that time.

Annual awards may be benchmarked and set to a market-related level of remuneration whilst considering the overall affordability thereof to the company.

PERFORMANCE CONDITIONS AND VESTING

The extent and nature of performance conditions applicable to the ECSP will be approved by the Remco annually and specifically included in the award letter to participants.

Retention Shares will not be subject to performance conditions, due to their inherent nature as retention instruments, but will be subject to an employment condition. This requires continued employment of the participant by any group company for the duration of a certain number of years from the award date ("**Employment Condition**").

Bonus Shares are also not subject to performance conditions in terms of the Rules, due to the fact that they have a "performance entry requirement", as the quantum of the Bonus Shares is determined with reference to the actual short-term incentive paid to the participant.

Performance Shares will be subject to the fulfilment of both the pre-determined company performance conditions to be satisfied over the performance period ("**performance conditions**") and the Employment Condition over the employment period for vesting to occur.

The first awards of Performance Shares will be made to the participants subject to the following proposed performance conditions, measured over a three-year performance period:

Performance condition	Weighting
Return on Capital Employed (ROCE)	67%
Total Shareholder Return (TSR)	33%

Note that these performance conditions are still to be approved. The Remco will set appropriate performance conditions, performance period(s), employment conditions and employment period(s), as relevant, for future awards, taking into account the business environment at the time of making the awards, and where considered necessary, in consultation with shareholders. Each of these details of the award will be agreed with the participants in terms of individual award letters.

MANNER OF SETTLEMENT

The rules of the ECSP are flexible in order to allow for settlement in any of the following manners:

- by way of a market purchase of shares;
- use of existing shares held in treasury;
- issue of shares by the company; and
- as a fall-back provision, in cash.

The exact method of settlement will be determined by the Remco for each award.

DIVIDEND EQUIVALENT SHARES

This refers to such additional number of shares (rounded down to the nearest whole number in the case of fractions), equal in value to the dividends that a participant would have earned in respect of Bonus Shares, if he was the owner of the Conditional Shares from the award date to the vesting date determined with reference to the dividend record dates occurring in that period, adjusted for Bonus Shares actually vesting ("**Dividend Equivalent Shares**"). This means that Dividend Equivalent Shares are only paid to the extent that the underlying Bonus Shares vest.

Dividend Equivalent Shares are only applicable to Bonus Shares and are settled in equity, as the underlying Bonus Shares are, and are 'rolled up' and settled at the same time that the underlying Bonus Shares are settled. Any Dividend Equivalent Shares attributable to Bonus Shares will be specified in the Award Letter.

LIMITS AND ADJUSTMENTS

Overall company limit

The aggregate number of shares which may be settled in respect of the ECSP to all participants will not exceed 15 650 000 (fifteen million, six hundred and fifty thousand) shares, which represents approximately 5% of the number of issued shares as at the date of adoption of the ECSP. This is in line with market best practice.

In calculating the limit for the ECSP, new shares allotted and issued by the company or shares held in a treasury account which have been used by the company for settlement of the ECSP, will be included in the company limit. This limit will be calculated to exclude shares purchased in the market in settlement of the ECSP. [14.1(b)]

Individual limit

The maximum number of shares which may be settled to any single participant in terms of this ECSP will not exceed 3 130 000 (three million, one hundred and thirty thousand) shares, which represents approximately 1% of the number of issued shares as at date of approval of the ECSP by shareholders. [14.1(c)]

Adjustments related to ECSP limits

The Remco must, where required, adjust the company limit and individual limit (without the prior approval of shareholders in a general meeting), to take account of a sub-division or consolidation of the shares of the company. Such adjustment to the number of shares should result in the company still being capable of settling the same percentage of shares as was the case prior to the occurrence of the event. [14.3(a)]

The Remco may, where required, adjust the company limit and individual limit to take account of a capitalisation issue, a special distribution, a rights issue or reduction in capital of the company. Such adjustment to the number of shares should result in the company still being capable of settling the same percentage of shares as was the case prior to the occurrence of the event. [14.3(b)]

The auditors, or other independent advisor acceptable to the JSE, shall confirm to the JSE in writing that any adjustment made in terms of this paragraph has been properly calculated on a reasonable and equitable basis, in accordance with the rules of the ECSP and must be reported on in the company's financial statements in the year during which the adjustment is made. [14.3 (c), (d), (e)]

Any adjustments made in accordance with paragraph 14.3 of the JSE Listings Requirements, must be reported on in the company's annual financial statements in the year during which the adjustment is made. [14.3(e)]

The issue of shares as consideration for an acquisition, and the issue of shares for cash or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the company or individual limit. [14.3(c)]

Awards under the ECSP which are not subsequently settled to a participant as a result of the forfeiture thereof will revert back to the relevant ECSP as relevant. [14.3(f)]

CONSIDERATION [14.1(d)(I)]

The participant will give no consideration for the award or settlement of any awards or shares in terms of the ECSP.

MALUS

The Remco may, at the vesting of an award (or at any time before the vesting of the award) reduce the number of Conditional Shares subject to an award to any participant in whole or in part (including, for the avoidance of doubt, to nil) in certain circumstances. In determining any reduction, the Remco shall act fairly and reasonably but its decision shall be final and binding.

NOTICE OF ANNUAL GENERAL MEETING
CONTINUED

TERMINATION OF EMPLOYMENT [14.1(h)]

"Fault Termination"
Participants terminating employment due to resignation or dismissal on grounds of misconduct, poor performance, dishonest behaviour or fraudulent conduct or on the basis of abscondment will forfeit all unvested awards.

"No Fault Termination"
Termination of employment due to death, retirement, retrenchment, ill-health, disability, injury, the sale of a subsidiary company, or for any other reason other than those set out under "Fault Termination", will be classified as "No Fault Termination". Unvested award(s) will vest on date of termination of employment *(pro rata* accelerated vesting), taking into account the number of complete months served since the award date to the date of termination over the total number of months in the employment period, and the extent to which any applicable performance conditions have been satisfied.

Provision is made in the Rules for Remco discretion where termination of employment occurs in terms of exceptional circumstances which do not fall into the "fault" or "no fault" categories.

CHANGE OF CONTROL [14.1(g)]

In the event of a change of control of the company occurring before the vesting date of any award, a portion of the award will vest. The Remco, having regard to such professional advice as they consider appropriate in the circumstances, has an absolute discretion to accelerate vesting of a portion of awards.

In exercising their discretion, the Remco may consider the number of complete months served since the award date to the change of control date over the total number of months in the employment period, and the extent to which any performance conditions have been satisfied. The portion that does not vest as a result of the change of control will, except on termination of the ECSP (in which case it shall lapse), continue to be subject to the terms of the original award letter. However, the Remco has the discretion to determine that the terms of the award letter are no longer appropriate and may:

- make an adjustment to the number of Conditional Shares; or
- convert awards into awards in respect of shares in one or more other companies; or
- the Remco may also vary any performance condition(s) in accordance with the provisions of the Rules.

Any adjustments made must result in the participants being no worse off as a result of the adjustment.

VARIATION OF SHARE CAPITAL

In the event of a variation in share capital such as, for example, a capitalisation issue, rights issue, subdivision of shares, consolidation of shares the company entering into a scheme of arrangement as contemplated in section 114 of the Act, the company making distributions, including a reduction of capital and a distribution *in specie,* other than a dividend paid in the ordinary course of business out of the current year's retained earnings, or any other event affecting the share capital of the company. Participants will continue to participate in the ECSP.

The Remco may make such adjustment to the award or take such other action to place participants in no worse a position than they were prior to the happening of the relevant event and to provide that the fair value of the award immediately after the event is materially the same as the fair value of the award immediately before the event.

The issuing of shares as consideration for an acquisition, and the issuing of shares or a vendor consideration placing will not be regarded as a circumstance that requires any adjustment to the awards. [14.3(c)]

LIQUIDATION

If the company is placed into liquidation, other than for purposes of reorganisation, an award of Performance Shares, Bonus Shares and/or Retention Shares will lapse as from the liquidation date. [14.1(e)]

AMENDMENT [14.2]

The Remco may alter or vary the rules of the ECSP as it sees fit, however, in the following instances the ECSP may not be amended without the prior approval of the JSE and a resolution by the shareholders of 75% of the voting rights:

- the category of persons who are eligible for participation in the ECSP;
- the number of shares which may be utilised for the purpose of the ECSP;
- the individual limitations on benefits or maximum entitlements;
- the basis upon which awards are made;
- the amount payable upon the award, settlement or vesting of an award;
- the voting, dividend, transfer and other rights attached to the awards, including those arising on a liquidation of the company;
- the adjustment of awards in the event of a variation of share capital of the company or a change of control of the company; and
- the procedure to be adopted in respect of the vesting of awards in the event of termination of employment.

GENERAL

The rules of the ECSP are available for inspection from 1 March 2018 to 30 April 2018 at the company's registered office.

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
Think future. Think aluminium.

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Certificated shareholders and/or dematerialised shareholders with "own name" registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

The Board requests that completed forms of proxy are received at the office of the company's transfer secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), by 15:00 on Tuesday, 24 April 2018. Any forms of proxy not lodged by this time may be handed to the chairperson of the annual general meeting immediately prior to its commencement.

A shareholder entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead. A proxy need not be a shareholder of the company.

I/We (name in block letters)

of (address in block letters)

Contactable number (contact telephone number)

(Email address)

being the holder/holders of ordinary shares in Hulamin do hereby appoint

1. of (or failing him/her)

2. of (or failing him/her)

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, 26 April 2018, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

	Resolution	For	Against	Abstain
1.	Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor			
2.	Re-election of retiring directors:			
2.1	NNA Matyumza			
2.2	SP Ngwenya			
2.3	RG Jacob			
2.4	VN Khumalo			
2.5	PH Staude			
3.	Ratification of the appointment of the following directors on 1 April 2017:			
3.1	AT Nzimande			
3.2	RL Larson			
4.	Appointment of group Audit Committee members and N Maharajh as chairman of the group Audit Committee:			
4.1	N Maharajh as chairman			
4.2	CA Boles			
4.3	NNA Matyumza			
5.	Approval of the proposed Equity-Settled Conditional Share Plan			
6.	Special resolution number 1: Approval of non-executive directors' fees			
7.1	Special resolution number 2.1: Amendment to clause 31.6 of the Memorandum of Incorporation			
7.2	Special resolution number 2.2: Amendments to Schedule B of the Memorandum of Incorporation			
8.	Special resolution number 3: Provision of financial assistance			
9.	Special resolution number 4: General repurchase of shares			
10.	Non-binding advisory vote – Remuneration policy			
11.	Non-binding advisory vote – Implementation report			

Signed at on this day of 2018

Signature Name

Assisted by me (where applicable) Capacity

NOTES TO THE FORM OF PROXY

1. Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy unless previously recorded by the company's share registrar or waived by the chairman of the annual general meeting.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
5. The chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

SUMMARY IN TERMS OF SECTION 58(8)(b)(I) OF THE COMPANIES ACT, 2008, AS AMENDED

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies, and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

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CORPORATE INFORMATION

HULAMIN LIMITED
(Incorporated in the Republic of South Africa)
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
Founded: 1940
Listed: 2007
Sector: Industrial Metals and Mining

BUSINESS ADDRESS AND REGISTERED OFFICE
Moses Mabhida Road
Pietermaritzburg
3201

POSTAL ADDRESS
PO Box 74
Pietermaritzburg
3200

CONTACT DETAILS
Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
Email: hulamin@hulamin.co.za

SECURITIES EXCHANGE LISTING
South Africa (Primary)
JSE Limited

TRANSFER SECRETARIES
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank
Johannesburg
2196
PO Box 61051
Marshalltown
2107

AUDITORS
PricewaterhouseCoopers
34 Richeford Circle, Ridgeside Office Park
Umhlanga Rocks
4319
PO Box 1274
Umhlanga Rocks
4320
Practice number: 905178E
Telephone: +27 31 271 2000
Facsimile: +27 31 815 2000
Website: www.pwc.com/za

SPONSOR
Questco Corproate Advisory Proprietary Limited
1st Floor, Yellowwood House
Ballywoods Office Park
33 Ballyclare Drive
Bryanston
2191
Telephone: +27 11 011 9200
Email: sponsor@questco.co.za
Website: www.questco.co.za

DIRECTORATE

NON-EXECUTIVE DIRECTORS
CA Boles*
LC Cele*[1]
VN Khumalo
RL Larson*[2]
TP Leeuw*
N Maharajh*
NNA Matyumza*
B Mehlomakulu (Dr)*
ME Mkwanazi, Chairman*
SP Ngwenya
AT Nzimande*[2]
PH Staude*
GHM Watson*
GC Zondi (Alternate)

EXECUTIVE DIRECTORS
RG Jacob, Chief Executive Officer
AP Krull, Chief Financial Officer
MZ Mkhize, Group Executive: Manufacturing

* *Independent non-executive directors.*
[1] *Resigned 30 April 2017.*
[2] *Appointed 1 April 2017.*

COMPANY SECRETARY
W Fitchat
Email: willem.fitchat@hulamin.co.za

CORPORATE INFORMATION AND INVESTOR RELATIONS
BA Mngadi
Email: Ayanda.Mngadi@hulamin.co.za

ince

www.hulamin.com