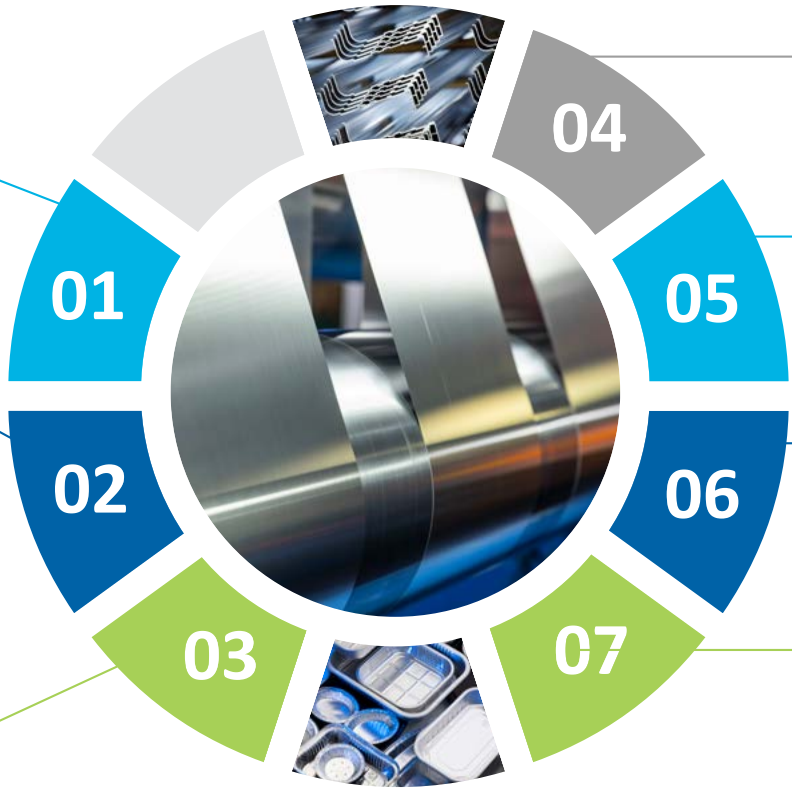
HULAMIN

Think future. Think aluminium.

Integrated Report

for the year ended 31 December 2022

Contents



Capitals and navigation

website reference

page reference

Social and relationship capital

Human capital

Intellectual capital

Manufactured capital

Natural capital

Financial capital

About this report

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

Scope

The scope of this report includes Hulamin Limited, its subsidiaries and operating divisions, listed on page 81. The report covers the period 1 January 2022 to 31 December 2022.

Our audience

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

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

Reporting frameworks

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

- International Integrated Reporting Framework, December 2018
- 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 (IFRS)

Assurance

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

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

Materiality and comparability

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

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

Forward-looking information

The report contains some forward-looking information regarding the financial and non-financial performance and position of Hulamin. Hulamin believes this forward-looking information to be realistic at the time of the issue of the report. These statements include uncertainties, assumptions and risks about future events and circumstances, which may result in actual results differing from those anticipated. Forward-looking information has not been reviewed or reported on 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 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 2022 integrated annual report.

Feedback from stakeholders

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

Our 2022 reports

Content and assurance providers

Annual financial statements: Ernst & Young Inc.

Review of internal controls: PricewaterhouseCoopers Advisory Services Proprietary Limited and Ngubane & Co.

BEE contributor level: Empowerdex

Sustainability report (selected information): BDO Advisory Services (Pty) Ltd
www.hulamin.com/sites/default/files/downloads/2021%20Hulamin_Sustainability_Report.pdf

Chairman's review

Thabo Leeuw

During a year of much uncertainty in the macro environment, I am proud of our efforts to focus on controlling those levers within our reach. This has stood us in good stead, and we now have the opportunity to step up our performance even further, as we contend with our ever-evolving environment.

The year in review

Following a period of challenging market conditions and the impact of Covid-19, Hulamin's operational and financial performance continues to improve. This has primarily been driven by our relentless drive to focus on those levers within our control – from improving our product sales mix and negotiating better pricing for our products to capitalising on the continued growth of the demand for aluminium beverage cans.

All of this has been achieved despite a challenging macro environment, characterised by high inflation and its impact on our production costs, the uncertainty brought on by the war in Ukraine, and its impact on shipping rates and global supply chains.

Reflecting on a challenging global and domestic operating environment

From high inflation, the impact of load shedding on production, devastating floods in our home province of KwaZulu-Natal, and increasing geopolitical tensions, our global and domestic operating environment remains unpredictable.

There is undoubtedly a sense that an operating environment fraught with these varied challenges is fast becoming the "new normal" rather than the exception. Businesses like Hulamin, which are deeply integrated into the domestic and global markets, need to find new and creative ways of dealing with increasing complexity, while shielding its employees from these shocks as much as possible.

In South Africa, we have seen slow progress on the government's Economic Reconstruction and Recovery Plan, which has the reinvigoration of focused manufacturing as one of its priority interventions. This is unfortunate since a thriving manufacturing industry – anchored by those manufacturers who require raw aluminium materials for their fabrication processes – has the potential for further growing the aluminium industry in South Africa whilst concurrently growing the employment.

Another critical constraint on our business, and the broader economy, is the need for a stable energy supply. The 2022 financial year saw the most load shedding-intensive year yet, as the performance of Eskom's fleet continued its declining trend. We have had to find ways to ensure business continuity by investing in alternative energy sources. We continue to engage with state structures to help find a solution to this crisis.

Towards the end of 2022, Transnet Port terminals declared *force majeure* in the wake of protest action, impacting our export sales. We are pleased that we were able to mitigate this by capitalising on the existing local demand for can stock.

In the KwaZulu-Natal province of South Africa, changing weather patterns, which experts attribute to climate change, characterised by heavy rains and the devastating floods which wreaked havoc in communities and negatively impacted our employees and their families. Service delivery challenges in local government magnify the significant role we play as a socio-economic contributor and partner for development in our host communities. I am particularly pleased with the role we've played in lending a hand to support disaster recovery efforts in this regard – while contending with the impact of these weather events on our operations.

Strategic options considered by the Board

Many of our stakeholders are aware of the expression of interest received in August 2021, in which an offeror indicated an intention to acquire the business. The view of the Hulamin board of directors was that this potential transaction was beneficial to Hulamin and would facilitate the growth of the business.

Following lengthy discussions and due process, the parties concluded on a deal price that was put forward by the offeror, which was considered fair and reasonable to the shareholders by an independent board and which constituted a substantial premium to the current Hulamin share price. The offeror undertook a comprehensive due diligence which was successfully completed to their satisfaction.

The offeror was, however, unable to agree on satisfactory terms with all stakeholders. In addition, the offeror has become concerned about recent global economic uncertainty. For these reasons, the offeror indicated that it was unable to conclude this potential transaction. These discussions were terminated by June 2022, and a withdrawal of cautionary announcement was released on the Johannesburg Stock Exchange News Services (SENS).

Despite this outcome, the Board remains convinced of Hulamin's potential and the longer-term trends for aluminium-rolled products as the world transitions to a low-carbon world. The approach from the offeror is a vote of confidence in the attractiveness of Hulamin, and a further demonstration of our belief that there is immense value in our business.

Chairman's review continued

Championing transformation and social impact

In the year under review, Hulamin qualified for a Level 4 score, based on the revised 2015 B-BBEE Codes as published by the Department of Trade and Industry. This reflects a marked performance improved from the prior year, where we attained a Level 7 score. Key highlights of our improved B-BBEE performance were driven by the organisation's commitment to empowering small and medium-sized suppliers, with a particular focus on those who can play a role in the broader aluminium value chain, and black-owned, women and youth suppliers.

Governance

After 32 years of exceptional service to Hulamin – with the last 12 years as Chief Executive Officer – we announced the retirement of Richard Jacob in the period under review. Richard has served the company with deep loyalty, commitment and unparalleled leadership, and he formally stepped down on 30 September 2022.

We are pleased to have appointed Geoff Watson – previously an independent, non-executive Board member – as interim CEO (from 1 October 2022). A rigorous process to select a permanent CEO is underway, led by the Board's Nomination Committee.

We have confidence in Geoff's capabilities as Interim CEO. Geoff has held executive positions at leading aluminium companies, such as Alcoa Kaal (Australia), Alcoa Bohai (China), Steelforce (Australia), Seema International (Hong Kong) and UC Rusal (Switzerland). During the period under review, no other new board appointments were made.

Demand fundamentals and a platform for growth

The global demand for aluminium products should remain supportive in the 2023 financial year, as low-carbon transition spurs the interest in using aluminium in lithium-ion batteries, the body of electric vehicles and in aluminium cans which are a greener, recyclable alternative to plastic. The strong demand we saw in the 2022 financial year in most product categories, with the exception of automotive materials, is a case in point.

Our leadership team is not resting on its laurels ensuring that we make the best use of the supportive environment and its associated constraints. Furthermore, we are encouraged by fruitful partnerships with some of our suppliers, like South 32, who are looking at innovative ways to secure the future of South Africa's aluminium downstream industry.

Globally, the wider aluminium market is set to continue its robust appetite, with European customers paying a premium in some instances. The demand for can stock will continue to rise as consumers shift away from plastics and glass packaging. On the domestic front, we continue to engage the government to further promote the growth of the aluminium industry in South Africa and development opportunities in the high-end automotive sector.

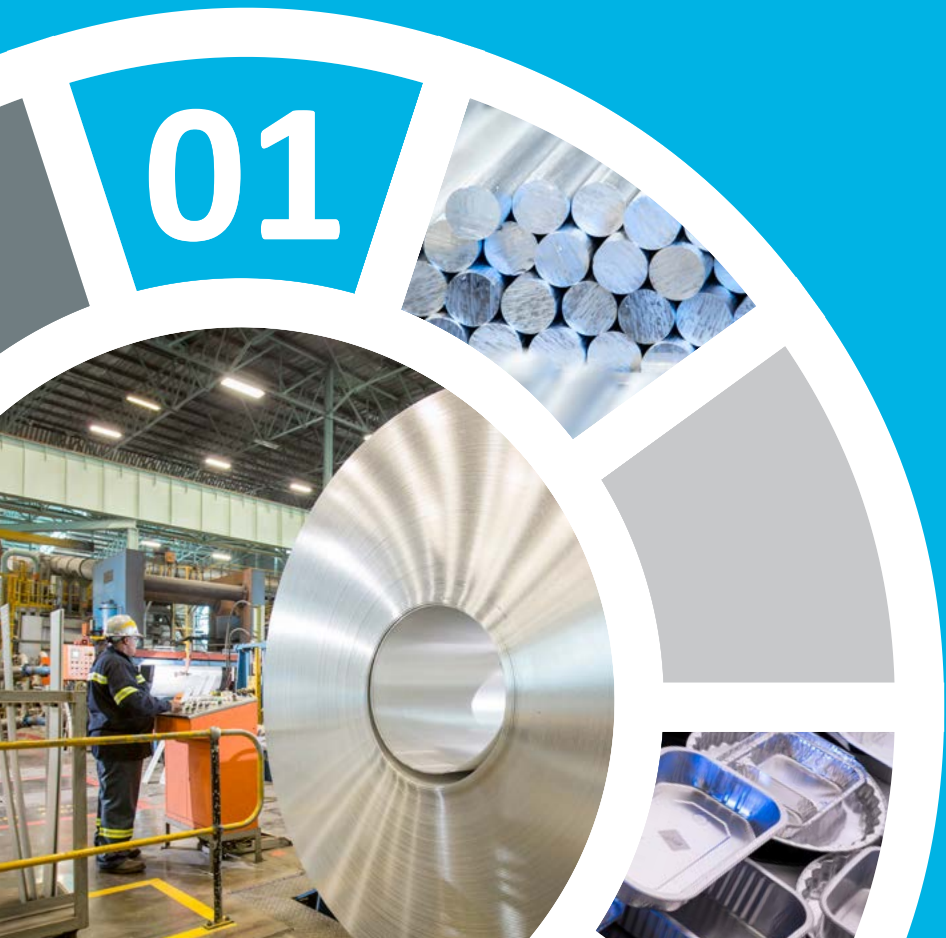
Message of appreciation

Our business is fundamentally all about people. Whether it be our employees, customers, suppliers, communities and business partners – none of what we achieved over the past year would be possible.

A special word of thanks to the management team for their commitment to executing our strategy, and I thank the Board of directors for their support, valuable input, and assistance during the past year.

Hulamin is a resilient business that has persevered through times of change, and now more than ever, we have a unique opportunity to continue making a difference.

Introducing Hulamin



Hulamin at a glance

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

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

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

Our Philosophy

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

Our Promises

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

Our Core Purpose

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

Our Values

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

The Standards We Set Ourselves

Our success is measured by the extent to which:

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

Our Vision

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

Group overview

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

Hulamin Rolled Products

Principal activity

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

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

Key markets

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

Key strategic focus areas

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

Hulamin Containers

Principal activity

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

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

Key markets

Hulamin Containers supplies the local packaging and container market.

Key strategic focus areas

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

Hulamin Extrusions

Principal activity

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

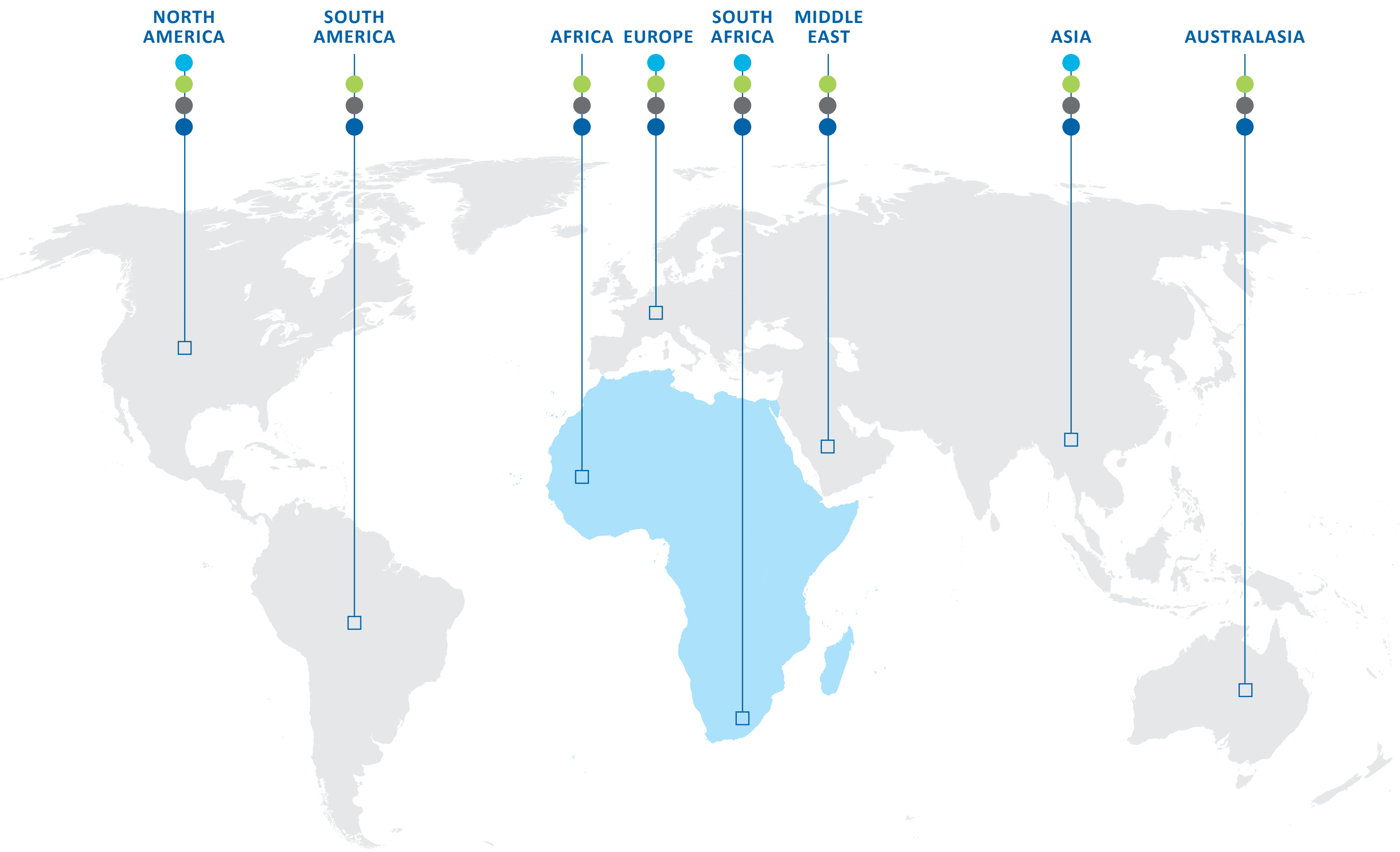
Key markets

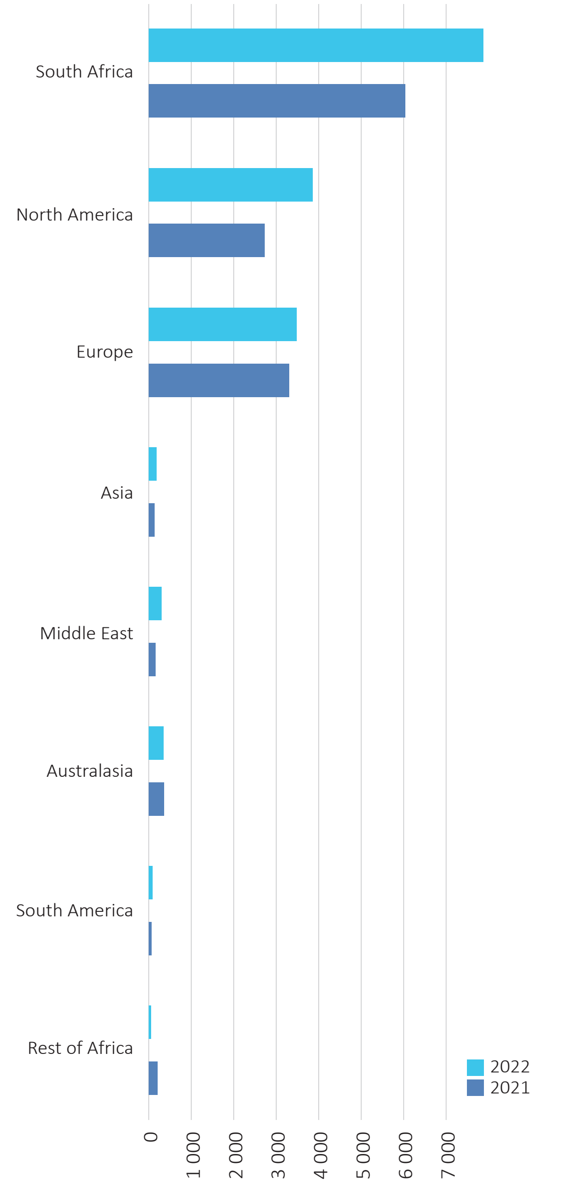
Hulamin Extrusions supplies the local engineering and architectural markets.

Key strategic focus areas

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

Group overview continued





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

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

Hulamin's Circle of Synergy

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

01 Sustainable and innovative products

We support the production of sustainable and innovative products, unlocking the powerful properties of aluminium for a variety of applications that advance our world sustainably.

Our strategic focus is on supporting sustainable advancements in cans (packaging) and cars (automotive, transport, green tech/battery).

02 African industrialisation and digitalisation

We support economic growth in South Africa and Africa.

A strong upstream industry supports downstream industrial investment and growth.

03 African innovation

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

04 Transformation

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

05 Sustainable production

We encourage and advance sustainable production by:

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

06 Financial returns

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

Hulamin's contribution to the SDGS

1 No poverty	Corporate Social Investments projects.
3 Good health and well-being	Employee wellness days and Ask Nelson project.
4 Quality education	Training and skill development.
5 Gender equality	Focus on talent development and employment.
6 Clean water and sanitation	Resource efficiency projects and environment sustainability strategy projects.
7 Affordable and clean energy	Science-based targeting and carbon footprint measurement. Resource efficiency projects.
8 Decent work and economic growth	Human capital.
10 Reduced inequalities	Enterprise development projects and CSI projects.
11 Sustainable cities and communities	Development and funding of CSI projects. Enterprise development projects.
13 Climate action	Science-based targeting and carbon footprint measurement. Resource efficiency projects.
17 Partnerships for the goals	Can recycling projects. Creation of jobs (ESD). Collecting cans.

The business in context

Hulamin in context

Hulamin lies within the mid-stream aluminium industry and is responsible for transforming primary aluminium into two types of semi-fabricated products, namely, rolled products and extruded products. These products are used by downstream fabricators within the packaging, engineering, automotive and construction sectors. 65% of Hulamin's sales are exported to manufacturers around the world, making it one of the largest mineral beneficiating exporters in South Africa.

Semi-fabricators such as Hulamin play an important role in the country's aluminium supply chain, by playing the linking role between the upstream and downstream aluminium industry. The contribution of the aluminium industry to the regional economy is built on the certainty of primary aluminium supply from Hillside and Mozal. Hulamin Richards Bay Casthouse also plays a key strategic role in securing the supply of Hulamin's aluminium slab needs. The absence of these suppliers would result in a serious risk to the sustainability of the industry.

Aluminium and key milestones in Hulamin's history

THE HULAMIN OF TODAY

- **2021** Hulamin reported a total loss of 12 colleagues to Covid-19
- **2020** Hulamin gains full ownership and control of the production of rolling slab at Bayside
- **2019** Hulamin and a strategic partner form Isizinda Aluminium. Together complete the acquisition of the Bayside casthouse
- **2015** Hulamin sells its Olifantsfontein Extrusions plant
- **2007** Unbundled from Tongaat Hulett, changes its name

THE BUILDING BLOCKS OF OUR EXISTENCE

- **1996** Hulamin Limited listed on JSE with the Industrial Development Corporation as 30% shareholder
- **1996**
  - Alcan sells its remaining holding in Hulett Aluminium, which becomes a wholly-owned subsidiary of Tongaat Hulett Pty Ltd
  - A $0.55 billion rolled products expansion project was approved
- **1949** The Huletts Corporation acquires a controlling interest to form Huletts Aluminium
- **1974** Hulamin Pietermaritzburg manufacturing site established

OUR FORMATIVE YEARS

- **1947** Reynolds Wrap aluminium foil hits the shelves
- **1940** Hulamin is founded

THE FOUNDATION

- **1935** Aluminium Limited of Canada (Alcan) opened a sales office in South Africa
- **1914** Aluminium demand soars during World War I
- **1888** Hall and his partners form what is now the Aluminium Company of America (Alcoa)
- **1886** Charles Martin Hall and Paul LT Heroult both use electrolysis to produce aluminium
- **1825** Hans Christian Oersted produces the first aluminium
- **1746** Johann Heinrich Pott prepares alumina from alum

The aluminium value chain

PRIMARY aluminium production

01 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.

02 Primary aluminium production

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

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

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

SECONDARY aluminium production

03 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.

04 Semi-fabrication of aluminium

Rolling

Aluminium is ductile and can be processed in a cold and hot condition. Final foil products can be as thin as 0,006 mm and still be completely impermeable to light, aroma or taste.

The metal itself forms a protective oxide coating that is highly corrosion resistant. Various types of surface treatment can further improve these properties.

Extruding

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

Foundry casting

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

05 Manufacturing and use

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

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

06 Recycling

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

Our investment case

Creating long-term value to offer a strong investment case

Our investment case is underpinned by our core purpose to create value through the manufacture of high-value aluminium semi-fabricated products.

About aluminium

Although abundant, pure aluminium metal is very rare in native form and is found as a compound. Aluminium is considered as the material of the future due to its unique properties. It remains one of the most versatile materials available, and is used in everything from kitchen foil and cans to car parts and aircrafts.

Read more about aluminium's unique properties on our website.

Think future. Think aluminium.

In comparison to developed and other developing countries, aluminium consumption in South Africa is still low, indicating huge upside potential for the South African aluminium industry. The growing use of aluminium in the automotive sector, the packaging sector, and expansions around infrastructure projects and electricity reticulation allow for opportunities to arise within this sector. In order to maximise these opportunities, collaboration between the private and government sector, regulatory competitiveness, and stable financial markets is required to enable the capital raising necessary for growth. For Hulamin the focus for growth remains in South Africa and the wider continent.

Well-positioned for expansion and financial growth

- Increase group spend from R233 million to at least R300 million.
- Strong order book and improved cash flows.
- Cost optimisation and operational performance.
- Absorb commodity price fluctuations.
- Negotiate debt facilities.

Continued local and global demand for aluminium

- Demand for can stock.
- Increase scrap utilisation by a further 60% with earnings delivery by the end of 2024.
- A process to exit three products is under way and with the released capacity going to can products. We are also simplifying at the sub product level with specifications being rationalised.

Operational agility and strategic focus on reducing complexity

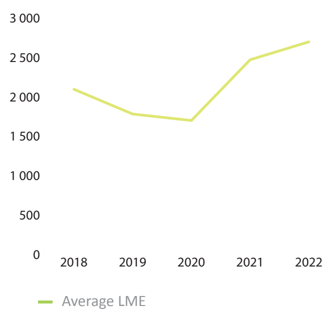
- High-quality operations underpinned by strong brand reputation and ongoing innovations.
- Maintain strong customer and supplier relationships to drive revenue growth.
- Increase volumes of key end-user products and niche positioning in high value products.

Leveraging our industry for wider sustainable development

- Focus on delivery of our vision to drive value to our stakeholders while contributing to a better, more inclusive world.
- Positioned to play a role in the circular economy through finite recyclability of aluminium.
- Continue to deliver positive socioeconomic impact through investing in our communities and aligning with the South African NDP.

Highlight aluminium selling points

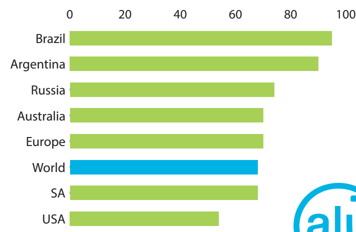
About 8% of the earth's crust is aluminium, making it the third-most abundant element by volume after oxygen and silicon.



Aluminium can be recycled endlessly without loss of its properties.

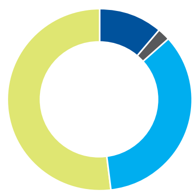
60% of aluminium in use is recycled.

Proportion of recycled aluminium to total consumption



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

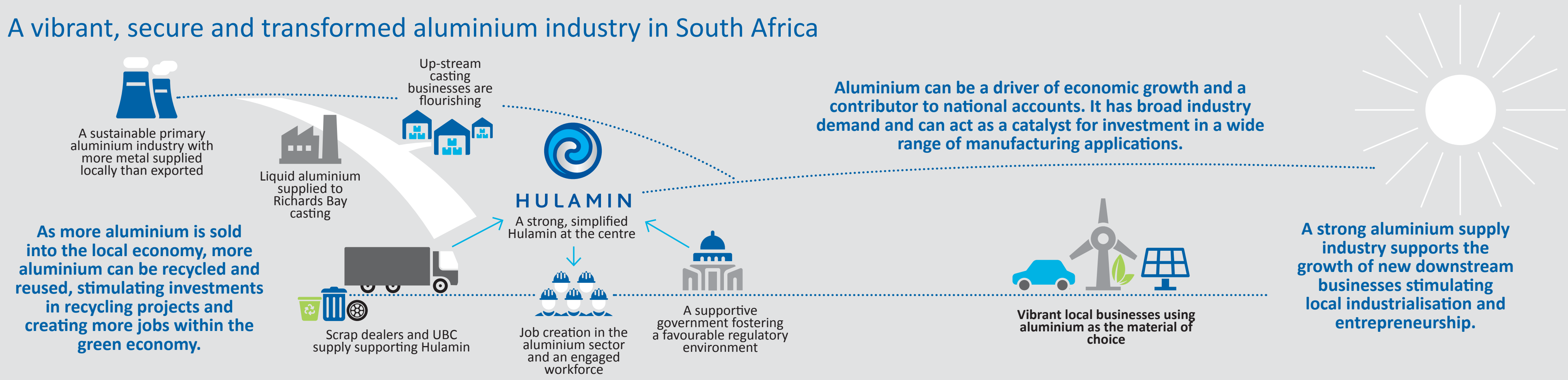
Hulamin 2022 revenue by product market (R'000)



Automotive and transport	1 262 028
Building and construction	701 227
General engineering	5 656 852
Packaging	8 312 865

The role of Hulamin and South Africa in the aluminium value chain

Our vision for the South African aluminium industry is shown below, where Hulamin is an enabler of upstream and downstream businesses using aluminium as the material of choice.



South Africa's economic vision

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

- Create jobs (downstream fabrication development, recycling, mid-stream growth)
- Balance national accounts (export fabricated aluminium products rather than primary aluminium)
- Manage carbon footprint through aluminium's energy-bank properties
- Improve environmental sustainability
- Drive growth in local downstream fabrication
- Drive transformation of the economy
- Develop the nation's human capital
- Improve South Africa's competitiveness
- Promote technological development
- Create industry success with a world-class aluminium supply package
- Create investment opportunities

Hulamin's role in developing the local economy

- A creator of economic value and human capital developer
- Major contributor in the South African aluminium value chain
- Regional social partner/stabiliser
- Export manufacturer
- Preferred supplier of aluminium manufacturing inputs
- Major partner in metals semi-fabrication
- Leader in manufacturing excellence
- Positive counter to aluminium smelting carbon footprint

Business model

Hulamin's vision and mission supports Hulamin's strategic positioning to provide value for our stakeholders. See pages 17 to 18.

THE SIX CAPITAL INPUTS WE RELY ON

Financial Capital

The group requires funding for day-to-day and expansionary activities in order to generate value for all stakeholders. Funding is received from Shareholders: The group's largest investor is the Industrial Development Corporation, holding 29.17% of issued share capital.

Net debt: R898 million **Net interest cost: R91 million**

Manufactured Capital

Our manufacturing process consists of three tiers: Rolling, Extrusions, Remelt and Casting. Read more on page 35.

Capital expenditure: R231 million **Repairs and maintenance: R395 million**

Natural Capital

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

Read more about our Natural Capital on page 20 of the Sustainability Report.

Human Capital

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

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.

Read more on Human Capital from page 24 of the Sustainability Report.

Intellectual Capital

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

Social Capital

Our key stakeholders are our shareholders and providers of capital, customers, suppliers, community, employees and government. Read more about how we engage with our stakeholders on pages 12 of the Sustainability Report.

WHAT WE DO

Hulamin transforms primary aluminium and recycled scrap into semi-fabricated products.

Primary aluminium

Scrap recycling

Casting

Hulamin remelts primary aluminium received from South 32's Hillside smelter, together with process and bought-in scrap, in its remelt and casting facilities to cast around two-thirds of its rolling slab and one-third of its extrusion billet requirements.

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

One-third of Hulamin's rolling slab requirements is brought in from Hulamin Richards Bay Casthouse. Two-thirds of Hulamin Extrusion's extrusion billet requirements are imported.

Rolling

Aluminium slab is passed through a number of pairs of rolls to reduce its thickness

Extrusion

Involves a preheated billet being squeezed through an opening in a die forming the cross section of the extrusion or profile

Finishing

Containers

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

OUTPUTS

Hulamin markets and products

Our rolled products and extruded products 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.

- Automotive and Transportation
- Packaging
- Building and construction
- General engineering and durable consumer goods

The two pillars of our strategy development, value-creation and value-protection, work together to provide:

- Efficient use of capital allocation. See AFS from page 48.
  Forward-looking strategy. See page 24.
- Effective leadership and corporate governance.
- Risk management. See page 30.

MARKET FOCUS AND REVENUE MODEL

The group's reportable segments have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and are predominantly based on business segment hierarchy which is representative of the internal reporting used for management purposes.

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions.

The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products.

The Hulamin Extrusions segment manufactures and supplies extruded aluminium products.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. Transactions between segments are carried out at arm's length and are eliminated on consolidation.

Transactions which represent the sale of a particular segment's finished goods to another segment do not occur and as such no inter-segment revenue is earned.

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Business model continued

OUTCOMES AND CAPITAL TRANSFORMATION

Retained earnings for the current year has increased by R311 617 million.

No dividends declared in 2022.

Cash generation

Net cash inflow from operating activities: R60 180 million

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

Production: Rolled Products: 209 253 tons

Extrusions: 2 075 tons

Additions: Rolled Products: R208 074 million

Additions: Extrusions: R23 078 million

Repairs and maintenance: R395 154 million

Depreciation and amortisation: R102 589 million

Hulamin's impact on natural resources is as indicated as follows:

1.72 Total CO_2 emissions

8.72 GJ/MT Fuel gases intensity

544 533 kl water

235 929.MW electricity

During the current financial year the group has shared R1 315 billion in value with employees through guaranteed and variable remuneration structures.

R1 314 696 million Employee costs

0.21 Lost time injury frequency rate

0.42 Total recordable case frequency rate

R54 732 127 million of training in process engineering, shop floor skills, and engineering skills.

The group interacts with all stakeholders through a formalised stakeholder engagement process and continues to enhance the social and relationship capital it has established with stakeholders through strategic responses to stakeholder needs.

(R41 017 million) Taxation (paid)/refund

R2 797 613 Spending on corporate social responsibility

R12 630 million B-BBEE expenditure

4 B-BBEE status

Stakeholder engagement

Government

Who they are and how they contribute to value

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

How we have engaged

- In person meetings and written correspondence through our Corporate Affairs Executive
- Virtual participation in industry forums including Aluminium Federation of South Africa and the Manufacturing Circle

Issues raised

Continual and responsible contribution to regional development through:

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

Strategic response

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

Providers of Financial Capital

Who they are and how they contribute to value

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

How we have engaged

Road shows and regular public announcements

Issues raised

Sustainable growth and return on investment through:

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

Strategic response

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

Customers

Who they are and how they contribute to value

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

How we have engaged

- Meetings and site visits
- Virtual meetings

Issues raised

Reliable service, good quality products and competitive prices through:

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

Strategic response

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

Stakeholder engagement continued

Suppliers

Who they are and how they contribute to value

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

How we have engaged

- Meetings and site visits
- Performance audits and reports

Issues raised

Continued growth of operations and relationships through:

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

Strategic response

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

Employees

Who they are and how they contribute to value

At Hulamin, we strive to be a great place to work and to be an employer of choice.

We do this by engaging and developing our employees in order for them to realise their unique potential. In 2022, we relaunched our talent strategy, the Hulamin Talent Universe Programme (H-TUP).

This refreshed initiative focuses on supporting and coaching leaders to redefine and shift their approach to talent by actively engaging in building and developing human capabilities, while at the same time challenging and holding people accountable.

Issues raised

- Attracting and sourcing
- Talent retention
- Organisational development
- Employee engagement

Strategic response

- We define talent management as a set of human resources disciplines, practices, processes and systems, which work in an integrated manner to ensure that the company maximises organisational value creation from its human capital/talent, in order to improve insights and decision making. Ensuring that the right talent with the right skills is placed in the right roles, and that individuals are nurtured and developed to perform optimally.

Communities

Who they are and how they contribute to value

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

How we have engaged

Project delivery driven communication within benefiting communities.

Issues raised

Responsive contribution to community interest and needs through:

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

Strategic response

- Continued commitment to established CSI programmes

The operating environment

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

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

The analysis below, provides some insight into the key externalities that impacted the business in 2022.

01 South African aluminium industry

Energy: There is an inconsistent supply of energy, with cost increasing above inflation.

Local smelter: Stable supply of local primary aluminium.

Issues	Energy suppply.
Drivers	**Electricity supply:** Electricity supply constraints remained a challenge in 2022. The inability of the local energy supplier Eskom to reduce and contain internal costs, and to minimise the pass-on to customers of the cost of new infrastructure, is creating the potential for high energy prices in the future. **Gas supply:** The local refineries remain underinvested in gas, with frequent unplanned breakdowns and decisions to shutdown operations. **Local smelter:** High LME prices in early 2022 have provided significant support for profitability of the local South 32 smelter.
Implications	**Electricity supply:** Exorbitant energy price increases are having a negative impact on global cost competitiveness, which is eroding the margins earned and ultimately negatively affecting shareholder returns. Should energy supply remain inconsistent, benchmark operational performance is unlikely to be achieved. **Gas supply:** The consistency of gas supply has a direct impact on the achievement of benchmark operational performance. **Local smelter:** South 32 have secured a new long-term energy supply agreement, which provides certainty and stability to long aluminium supply.
Strategic approach	**Electricity supply:** The group has engaged, via the Energy Intensive Users Group (EIUG), with NERSA (National Energy Regular of South Africa) for reasonable price increases, in order to limit the erosion of margins and to remain competitive within the global environment. Hulamin's demand reduction operating plan is being implemented through a range of energy efficiency projects to reduce the internal consumption of energy. The sourcing of electricity from alternative Renewable Electricity Producers is also being pursued. **Gas supply:** LPG suppliers have successfully switched to bulk imports. The group continues to explore opportunities to migrate to LNG as opportunities arise (2023/2024 horizon). **Local smelter:** There is ongoing engagement with South 32 and key stakeholders to promote the growth of the South African aluminium industry and casting in Richards Bay. The use of aluminium scrap has been increased.

02 The South African economic and political environment

Domestic macroeconomic instability, low economic growth, rising public debt and unemployment. Weaker and volatile domestic currency.

Issues	Domestic macroeconomic instability. Weaker and volatile domestic currency.
Drivers	Despite the government's investment in economic reforms, these have not been sufficient to deal with some of the country's structural problems: the inefficiencies and poor financial state of state-owned enterprises, especially Eskom, the declining state of infrastructure and services, and reduced corporate and foreign investment.
Implications	Loadshedding is starting to have a material impact on our customers' operations. Local sales balanced by sales to key export markets. A weaker rand had a positive impact on the group's earnings before interest and tax in the short term but have also negatively impacted currency sensitive costs, particularly materials. Local demand for Hulamin products remained stable during 2022, with local import duties on aluminium providing further support for local demand.
Strategic approach	The Group continued to focus on optimal output, especially on key product streams.

03 Regional market development

Depressed domestic and regional market conditions resulting in marginal demand growth plagued by the ongoing continued variability. Loadshedding impacting all sectors ability to recover.

Issues	Depressed domestic and regional market conditions resulting in marginal demand growth.
Drivers	Low economic growth with little to no investments in key infrastructure. Softening global demand coupled to continued variability in shipping costs and lead-times supportive of Hulamin's increased local sales. Recovery of the auto and packaging sector in particular are main drivers of growth, along with 15% import duty protection.
Implications	Improved local market demand has positively impacted the group's sales in the local market, combined with the duty protection and global volatility.
Strategic approach	The group continues to promote its value proposition in South Africa. The rise in local market demand across all sectors is key to local growth and allocation of capacity in light of protection and stable global demand for aluminiun.

04 The global aluminium semi-fabrication market

Market demand: Globally, demand for semi-fabricated products recovered impressively in 2022. The cansheet market experienced particularly strong demand, whilst the automotive industry enjoyed moderate recovery despite being plagued by a semi-conductor shortage.

Trade policies: Trade protectionism is increasing in key markets with many countries imposing or increasing import duties on aluminium rolled products. Whilst China remains the focus of most trade actions, the US have widened their actions to include other countries, including South Africa.

Issues	**Market demand:** Demand for FRP has been hampered by economic challenges in 2022.
Drivers	Europe faced high inflation, cost of living, taxation, and unwinding of stimulus measures prior to the start of the war in Ukraine, which amplified economic challenges. Gas supply challenges caused by the war posed particular concern for Europeans amidst inflation.
Implications	With a wide product portfolio, and favourable reputation in key Markets, Hulamin was able to leverage its assets towards a profitable outcome despite market challenges. In particular, Hulamin was able to maximise sales of canstock to key customers, further solidifying its place as a strong supplier to this market. Hulamin has also made significant in-roads in supplying the growing electric vehicle market. One of these avenues includes actively supplying sheet material for Quiet Aluminum applications, an example of which has been the use of said Quiet Aluminum in a major North American luxury Electric Vehicle.
Strategic approach	The group continues to increase volumes of key end-user-products such as can stock through various capacity improvement initiatives and continues to focus on niche positioning in current high value products. The group also made significant strides in development opportunities in the high-end automotive sector, with a particular focus on electric vehicles.

05 The global primary aluminium industry

In recent years, excess global capacity has placed pressure on marginal aluminium smelters due to lower prevailing aluminium prices. In 2022, global economic recovery from Covid-19 and strong demand, combined with capacity curtailments in China due to energy consumption controls, has caused a surge in primary aluminium pricing and metal premiums.

Issues	Historically, global capacity was impacted by excess capacity in China. In 2022, China had to curtail some of its smelting capacity due to energy restrictions. High energy prices in Europe led to smelter production cuts, further decreasing the global supply.
Drivers	**Geographic premiums:** Low metal premiums have persisted since mid-2015 and have placed additional pressure on marginal smelters. In 2022, high demand and tight supply has caused premiums to increase sharply as well. Premiums were further exacerbated by increasing freight rates. In Q3, 2022, the ban against Russian metal over the war in Ukraine has created further price volatility. This volatility could be further tempered by the global inflationary environment.
Implications	Increased primary and premiums pricing can eventually lead to demand erosion and material substitution if customers and consumers can no longer absorb the high prices. The high cost of input material also has working capital implications for semi-fabricators and places particular importance on pricing structures, on time delivery, and payment terms.
Strategic approach	The group will seek to grow its current proportion of high value products in the overall product mix to bolster margins and profitability. The development of new, higher value products will further be bolstered by increased focused investment in finishing capability and by maintaining a strong relationship with the group's current technology partners, consultants, industry experts and academic institutions. Furthermore, the group will endeavour to optimise its scrap consumption to help in mitigating against rising primary costs.

Strategic leadership

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:

55% independent non-executive directors

18% executive directors

27% non-executive directors

Board of Directors continued

THABO PATRICK LEEUW (59)
Chairman of the Board

GEOFFREY HAROLD WATSON (71)
Interim Chief Executive Officer[1]

RICHARD GORDON JACOB (57)
Chief Executive Officer[2]

MEGANATHAN GOUNDER (47)
Chief Financial Officer

CHARLES ALEXANDER BOLES (53)
Independent non-executive

ROBERT LENNART LARSON (67)
Independent non-executive

NARAN MAHARAJH (56)
Independent non-executive

DR BONAKELE MEHLOMAKULU (50)
Independent non-executive

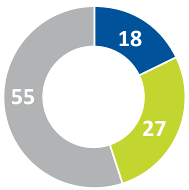
VUSI NOEL KHUMALO (60)
Non-executive

SIBUSISO NGWENYA (69)
Non-executive

GCINA CECIL ZONDI (49)
Alternative non-executive

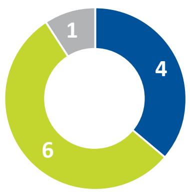
Note: Ages quoted are at 31 December 2022
[1] Appointed interim Chief Executive Officer on 30 September 2022, having previously served as an independent non-executive director.
[2] Retired 30 September 2022

Balance of power (%)



- Executive directors
- Non-executive directors
- Independent non-executive directors

Board demographics (%)



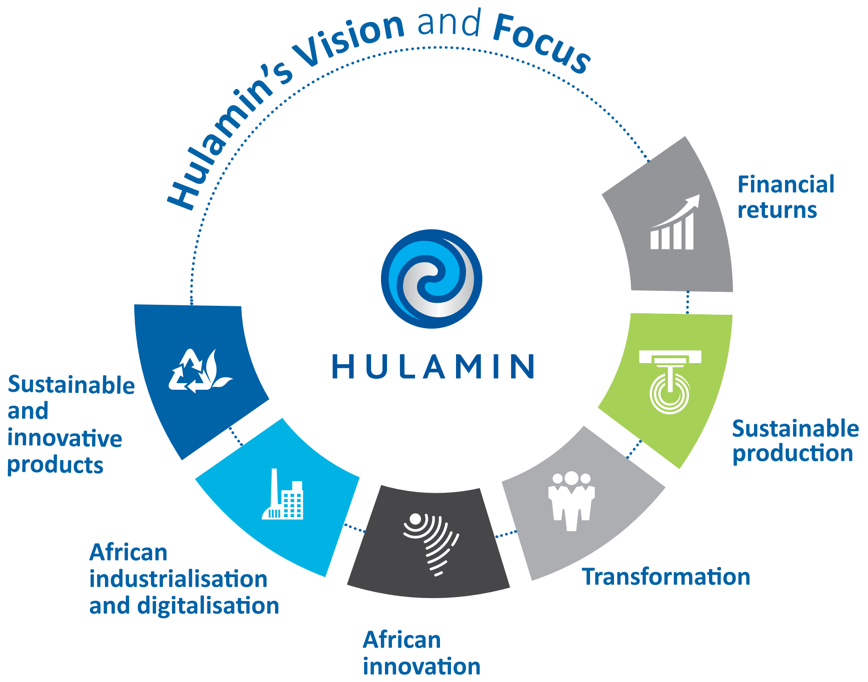
- White male
- ACI male
- ACI female

ACI: African, Coloured and Indian

Executive
Non-executive
Independent

Refer to the corporate governance report for more information on the Board of Directors

Our strategy



Hulamin's Strategy

Phase 1

Stabilise and strengthen the core business

Operational performance:

- Grow volumes
- Reduce costs
- Manage working capital
- Optimise margin
- Monitor and mitigate operational risks

Maximise production of beverage can sheet.

Grow automotive sheet volumes.

Execute sustainability initiatives to meet climate change and social responsibility objectives.

Phase 2

Market development and innovation to improve profitability

1. Technology research and innovation.
Foster an innovation culture and invest in product/market development capability (technology, skills and equipment).

2. New product development.
Invest in research and development capabilities to stimulate the development of innovative new products that will assist in improving product mix and margins.

3. Digital transformation.
Leverage emerging technologies that are collectively referred to as "Industry 4.0" to drive competitive advantage and efficiency improvements.

Phase 3

Business of the future investments, aligned to "Cans and Cars" focus

Implement strategic business model changes to drive growth, competitive advantage and increased profitability.

- Simplification and focus on "cans and cars" segments
- Partnering with low-cost operators to expand can sheet supply into sub-Saharan Africa, leveraging the Hulamin brand
- Investment in downstream manufacturing capabilities to secure niche market segments
- Harness scrap aluminium available in South Africa and the rest of sub-Saharan Africa, to increase recycled content and develop new business opportunities

Key Enablers: Transformation · Talent management · Sustainability · Information technology · Governance

Our strategy continued

Strategy Execution

With the turnaround plan developed in 2019, and subsequent business disruptions in 2020 and 2021 due to the Covid-19 pandemic, the strategic focus of the business during 2020 and 2021 has been on Phases 1 and 2 of the strategy.

In 2022, Hulamin's focus was on embedding the improvements made in 2021, and driving increased earnings and cash flow delivery.

2019 – Turnaround

- S189 process
- Cost reduction
- Working capital reduction
- USA route to market

2020 – Survival *(Covid-19)*

- S189 process
- Cost reduction
- Working capital reduction
- USA route to market

2021 – Recovery

- Rebuild order book
- Improve employee morale
- Ramp up production levels
- Minimise Covid-19 disruptions
- Execute integrated maintenance shut
- Ramp up local volumes
- Optimise margins
- 5xxx auto sheet market entry
- Continue to protect liquidity

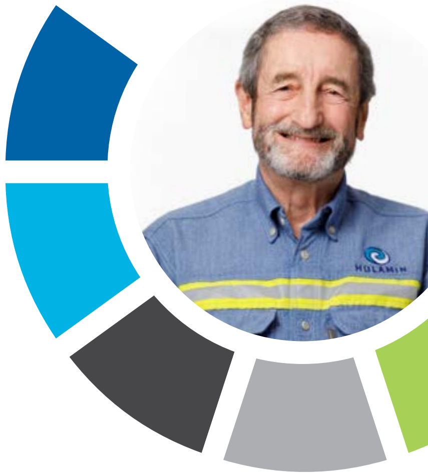
2022 – Performance *(Deliver earnings)*

- Grow group volumes to over 228 000 tons
- Optimise margins
- Grow can sheet production to over 100 000 tons
- Ramp up automotive sheet developments/ volumes
- Manage working capital levels and reduce net debt to less than R600 million
- Strategic capability investments
- Deliver strong EBIT
- Deliver free cash flow

2023

- Investment in diesel operated generators to help reduce the plant load curtailment.
- ESG projects to the value of R200 million have been identified, mainly in water and energy and funding discussion are underway.
- Increase scrap utilisation by a further 60% with earnings delivery by the end of 2024.
- Increase the spend from R233 million to at least R300 million.
- 30% of the capex budget will be improvement capex to increase volume of value-add products and reduce cost.
- Process to exit three products and with the released capacity going to can products.

Chief executive officer's review



Geoff Watson

Our business is fundamentally all about people. Without people – whether it be our employees, customers, suppliers, communities, or business partners – none of what we achieved over the past year would have been possible. A special word of thanks to the production and management team for their commitment to executing our strategy and to the Board of directors for their guidance and support.

Operational and financial performance

The improved trading results experienced in the first half of 2022 continued into the second half. The focus in the second half has been to improve the product sales mix and capitalise on the continued structural growth in demand for aluminium beverage cans. This saw the company's local sales volumes increase by 7% to 94 651 tons. Pricing was increased to offset commodity pricing and inflation. This, together with a weaker exchange rate and a stable cost base, saw normalised headline earnings per share increase by 28% to 105 cents per share. Normalised EBITDA was R667 million which was 339% better than 2021. H2 (2022) normalised EBITDA was R449 million, which showed the potential of the business. The 2023 year has commenced with solid customer demand particularly in the local and export beverage can markets, stable product margins and a weaker exchange rate. Hulamin is also benefitting from a more stable normalised EBITDA. The 2023 year has, accordingly, started positively.

Group turnover grew by 22% to R16 billion (2021: R13 billion) on group sales volumes of 211 328 tons (2021: 221 600 tons). Local beverage can sales grew by 7 045 tons (14%) as aluminium packaging continues to grow share of total beverage packaging market. Contracted prices for can stock firmed as can makers globally looked to secure raw material supply. This resulted in higher sales volumes from the sale of beverage can products and improved margins over the comparable period. These product streams also support increased scrap consumption with consequential benefits for margins. Tight cost management has dampened the impact of commodity and energy inflation resulting in a stable cost base. The exchange rate weakened by 11% and this aided performance. The outcome was that normalised EBIT improved to R565 million (2021: R66 million).

Rolled Products

Domestic market

Strong local demand for aluminium rolled products has continued through 2022. For 2023 demand is expected to remain robust in most product categories, except automotive heat exchanger material where demand is expected to remain muted because of ongoing silicon chip shortages for automotive manufacturers.

International market

Hulamin's export sales include can stock, heat-treated plate for general engineering applications, and a substantial volume of distributor products referred to as common alloy. Global demand for aluminium rolled products is being impacted by inflationary pressures which are expected to improve in H2 2023.

Extrusions

The strong market performance from 2021 carried into 2022. However, by mid-year there was a downward pressure on volumes as a result of the KwaZulu-Natal floods in April, and the reduction in customer volumes as a result of the end of their automotive sector contracts. These customers are expected to return to normal volumes in 2023 as a result of alternative contracts being concluded in the automotive sector to the benefit of those customers.

Metal supply

Hulamin Richards Bay Casthouse's casting and liquid metal deliveries were both impacted by the increase in traffic to the Richards Bay coal terminal due to increased export demand. Scrap utilisation grew by 15% to 30 000 tons as can output increased.

Business environment

The group experienced heavy load shedding in 2022 with resultant power interruptions requiring a higher number of plant load reduction. Increased load shedding is expected to continue into 2023. The group has adopted risk mitigation through investment in diesel-operated generators to help reduce the plant downtime. In the last quarter of 2022, Transnet Port terminals declared *force majeure* in the wake of protest action, which impacted export sales. This risk was, however, mitigated by the existing local demand for can stock.

The London Metal Exchange (LME) aluminium price

The year started with the LME aluminium price at $2 815 per ton, reaching a high of $3 850 per ton and closing at $2 396 per ton on 30 June 2022. The higher LME aluminium price in the first six months of the year placed pressure on working capital and "free" cash flows in the first six months of the reporting period.

This cash flow pressure was navigated by management together with the support of Hulamin's lenders, suppliers and customers. Other challenging trading condition further arose from the global impact of the war in Ukraine on shipping rates, commodity prices and general inflation on Hulamin's production costs. Hulamin has managed to mitigate these by optimising on product sales mix and negotiating pricing to mitigate these cost increases in order to maintain margins as evidenced by improved normalised earnings performance.

Performance against strategic objectives

Turnaround action goal	What we aim to achieve
Energy consumption	The group has adopted risk mitigation through investment in diesel operated generators to help reduce the plant load curtailment.
ESG	ESG projects to the value of R150 million have been identified, mainly in water and energy and funding discussions are underway.
Scrap utilisation	Increase scrap utilisation is in the engineering phase which will increase scrap utilisation by a further 60% with earnings delivery by the end of 2024.
Longer-term capital	The group aims to increase the spend from R233 million to over R300 million in 2023.
Capex	Hulamin is acutely aware that the return on capital employed is below the cost of capital. All capex will be thoroughly interrogated before funds are committed. A total of 30% of the capex budget will be improvement capex to increase volume of value-add products and reduce cost.
Simplification	A process to exit three products is underway and with the released capacity going to can products. We are also simplifying at the sub product level with specifications being rationalised.

Prospects

As we move into 2023, the market remains unconstrained in can-products and whilst the demand in Europe and North America is flat, we have a full order book. The investment in cold rolling and coating capacity will start to add to earnings in the second half of the year with an increase of 10% in run-rate by the fourth quarter in can-products. Domestic can capacity is being installed to supply the projected 5% compound annual growth rate over the next five years. Scrap utilisation will rise by a further 15% with capital spend in the first half and pricing is in place to accommodate commodity price inflation for the full year.

In the cost area, a global benchmarking review has started to firstly identify areas where equipment has been added over many years to meet demand that can now be rationalised with multipurpose high productivity equipment. Secondly, to reorganise work-balance and multi-skill people to increase human capital utilisation and finally investigating breakthrough technology to integrate multiple product production steps resulting in quantum step ups in productivity.

I took time to speak to all employees through Townhall meetings over the past two months. I have been encouraged by their commitment and need for information about Hulamin. My management team and I will continue hosting employee sessions in the new year. I am confident that the foundations are in place for a good year and beyond and this will help the organisation to sustain profitability into the future.

Geoff Watson
Interim Chief Executive Officer

Chief financial officer's report

Mark Gounder

Hulamin aims to focus on higher margin products whilst improving the balance sheet and reinvesting to ensure sustainability of the business.

Highlights

R16bn
turnover
Up 22%

19%
net working capital % revenue
Down 1%

R565m
normalised EBIT (due to improved quality of sales, pricing and stable cost base)
Up 756%

R60m
free cash flows from operating activities despite volatile $LME prices
Down 76%

105 cps
normalised HEPS
Up 28%

95kt
rolled products local sales
Up 7%

R10.48
net asset value per share
Up 11%

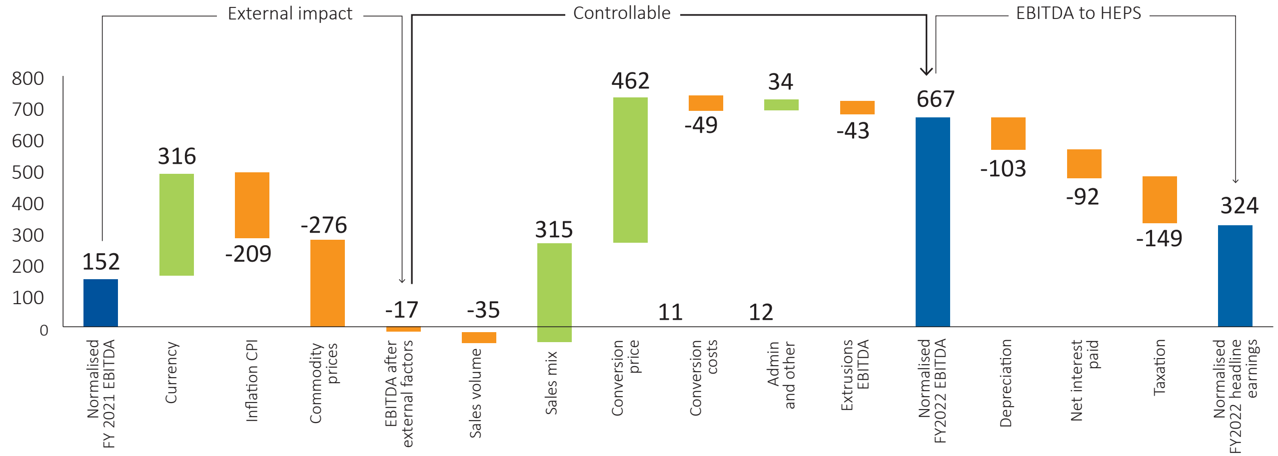
28%
debt to equity ratio
Up 4%

Business overview

The focus in 2022 was to improve the product sales mix and capitalise on the continued structural growth in demand for aluminium beverage cans. This saw local sales volumes increase by 7% to 94 561 tons. Pricing was increased to offset commodity pricing and inflation. This, together with a weaker exchange rate and a stable cost base, saw normalised headline earnings per share increase by 28% to 105 cents per share.

Group turnover grew by 22% to R16 billion (2021: R13 billion) on group sales volumes of 211 328 tons (2021: 221 600 tons). Local beverage can sales grew 7 045 tons (14%) as aluminium packaging continues to grow share of total beverage packaging market. Contracted prices for can stock firmed as can makers globally looked to secure raw material supply. This resulted in higher sales volumes from the sale of beverage can material and improved margins over the comparable period. These product streams also support increased scrap consumption with consequential benefits for margins. Tight cost management has reduced the impact of commodity and energy inflation resulting in a stable cost base. The exchange rate weakened by 11% and this aided performance. The outcome was that normalised EBIT improved to R565 million (2021: R66 million). Working capital as a percentage of turnover decreased by 1% to 19%.

Headline and normalised earnings[1]



Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer summarised financial statements notes 3(a) & (b)).

Chief financial officer's report continued

Normalised EBITDA increased by 339% to R667 million in the current year, in comparison to R152 million in the prior year. The improvement is attributable to:

- Optimised sales mix, improved margins and sales tons in local can stock market.
- Stable production cost base despite higher inflationary increase on operating costs and commodity pricing.
- Maintained commodity surcharges to customers.

Extrusions normalised EBITDA movement of R43 million was impacted by lower demand from the automotive industry, loadshedding, floods and product run out. Sales were 8% lower, resulting in an operating loss for the year of R11 million.

Headline earnings for the group decreased by 45.5% to R305 million in 2022, in comparison to R560 million in the prior year largely due to lower metal price lag (MPL) gains in the current year and utilisation of assessed losses in the 2021 financial period. An MPL loss of R26 million was recorded in 2022, which is a decrease of 106.1% against the gain of R425 million realised in the prior year.

HEPS remained profitable at earnings per share of 99 cents (2021: earnings per share of 182 cents). During 2021, the raising of a deferred tax asset positively impacted the earnings by R115 million (37 cents per share) compared to a tax paying position in 2022.

Headline earnings are reconciled to normalised headline earnings in note 2.1(b) of the group consolidated annual financial statements.

Depreciation and impairment charges

Depreciation and amortisation charges increased by 19.8% to R103 million in 2022, from the R86 million recorded in 2021, as a result increase in capital expenditure to cover delayed maintenance due to Covid-19.

No impairment was recognised in 2022 and 2021.

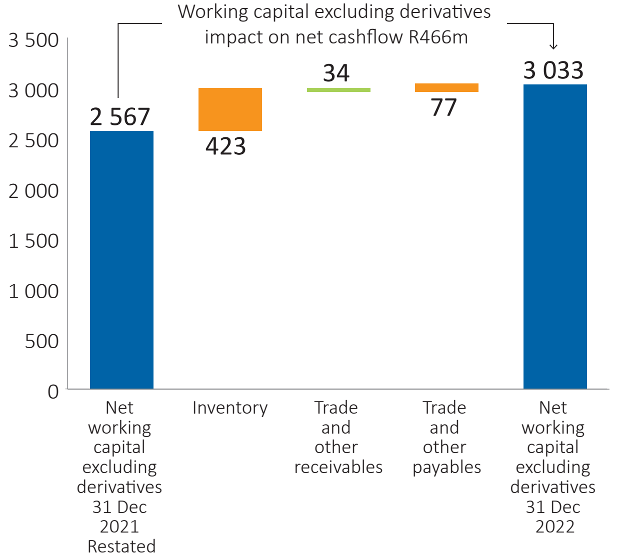
Finance costs

The net interest charge increased 40% to R91 million (2021: R55 million) due to higher market interest rates and increased average debt levels during the year, driven predominantly by the higher average rand aluminium price.

Taxation

The taxation charge increased significantly to R140 million expense (2021: R111 million credit) as 2021 benefitted from the once-off raising of a deferred tax asset which produced a benefit of R115 million (being 37 cents per share) in 2021.

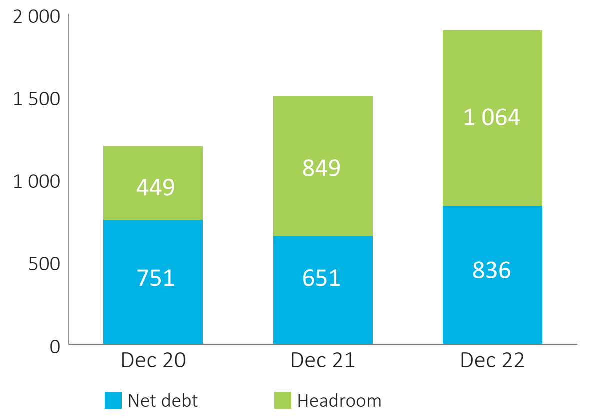
Working capital management excluding derivatives



The value of working capital excluding derivatives increased by R466 million, largely driven by the significant increase in inventory on hand of R3.4 billion at the end of 2022 in comparison to R3.0 billion in the prior year as result of rebalancing inventory in line with higher margin product mix and rand LME.

Receivables are insured and the quality of our book remains good with improved payment terms from key export customers by utilisation of supplier financing.

Borrowing and liquidity



At 31 December 2022, the group's net borrowings were R836 million (2021: R651 million).

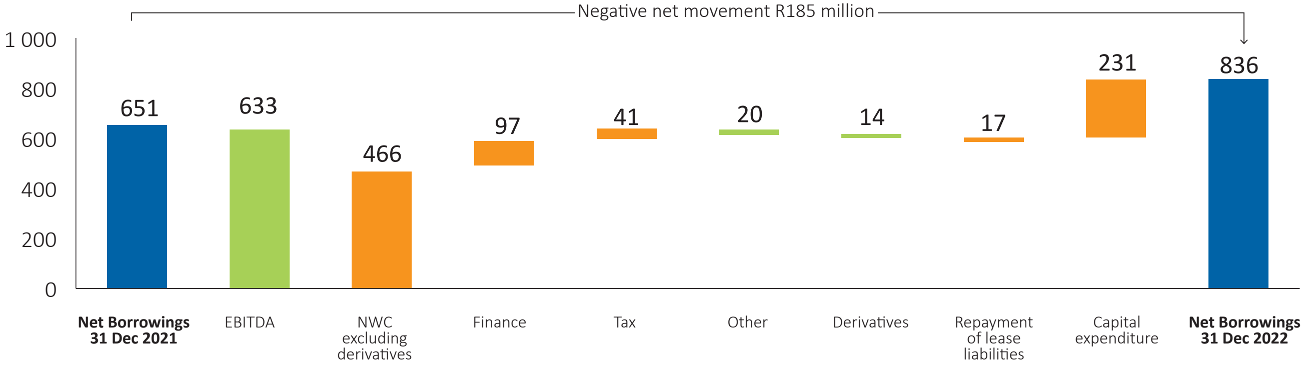
The group successfully renegotiated debt facilities from R1.5 billion to R1.9 million, leaving a headroom of R1 064 million at year-end. The general short-term facility of R400 million of which R150 million has been allocated to a letter of credit facility.

Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.6 times. All covenants were met in the 2022 financial year.

Gearing (net debt to equity) increased to 28% by the end of the year from a prior year gearing of 24%, with equity significantly improved by the current year profit and an increase in net debt due to the volatile $LME pricing during the year.

Chief financial officer's report continued

Net borrowings



Hulamin experienced constraints with respect to free cash flow generation. Free cash flows from operating activities decreased largely, impacted by high $LME prices in H1 and closed off with net borrowings of R836 million.

Cash generated from operations was impacted cash outlays required to manage working capital.

Gross capital expenditure was R231 million and after lower interest and taxation cash flows, negative net movement of R185 million was recorded in 2022.

Dividends and share repurchases

Due to liquidity constraints brought about by rising Dollar LME prices from 2021 into 2022 and in line with the group's dividend policy which targets distributions covered by free cash flows, the board has decided not to declare a dividend for the 2022 financial year (2021: nil dividend).

The group did not undertake any share repurchases in 2022.

Prior year restatement

The group continued with their ongoing assessment of financial internal controls in 2022 which included an assessment of the existing accounting practices and policies. The group identified an error in its classification of certain items of strategic spares as Inventory instead of Property, Plant & Equipment. Accordingly, the group corrected this error by reclassifying the identified items of Strategic Spares from Inventory (IAS 2) to Property, plant and equipment in accordance with IAS 16.

Note 10 of the financial statements highlights the impact of the restatement on previously reported results.

Going concern

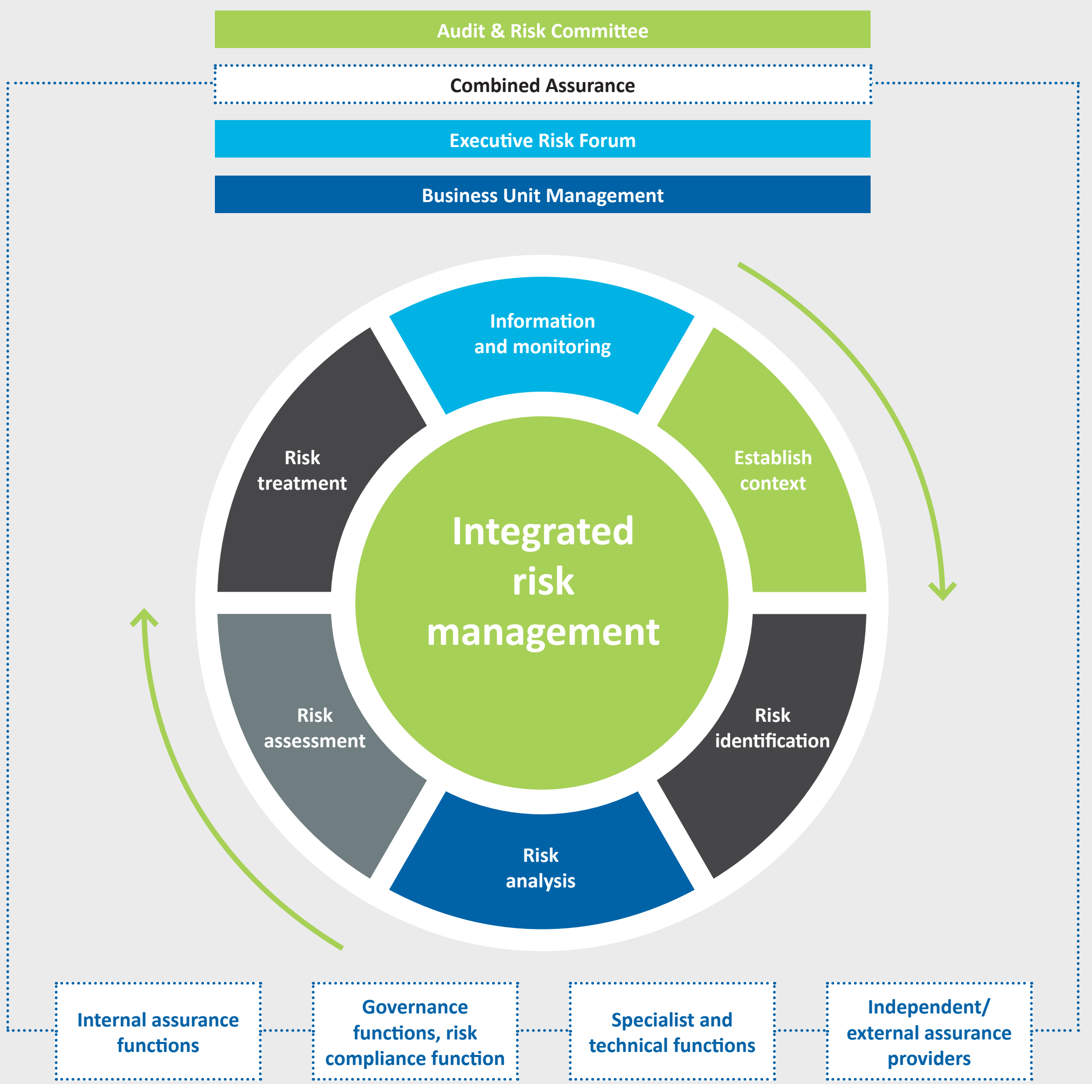
The consolidated financial statements for the year ended 31 December 2022 have been prepared on the going concern basis.

In making this assessment, management have considered the potential impact of the key uncertainties which relate to the matters described above, together with a consideration of management's scenarios and forecasts to the middle of 2024 as explained in note 1.9 of the group financial statements.

Conclusion and outlook

Hulamin enjoyed further recovery in 2022 across the divisions, mainly by more stable and consistent manufacturing performance driving a simplification of the business by improving on the sales mix volume, realisation of higher prices and ongoing cost controls. The underlying business health has improved considerably as indicated by the improved profitability in H2 of 2022. 2023 began with solid demand, firmer prices than in recent years and a reasonable Rand/Dollar exchange rate. Should these conditions persist, we expect that the improvements evidenced in 2022 will continue.

Risk management



Manufactured Capital

Manufactured Capital refers to the tools, machines, plant, infrastructure and buildings that contribute to the essential services Hulamin provides, as opposed to the products or services derived from such equipment and tools.

Natural Capital

Natural Capital refers to the resources, energy and materials used to produce products and services, including renewable and non-renewable materials, and sinks that absorb, neutralise or recycle waste. Natural Capital includes air, water, land, forests and minerals, as well as biodiversity and ecosystem health. It also includes the climate-change processes that may affect these.

Social and relationship Capital

Social and Relationship Capital refers to the values relating to Hulamin's relationships with other people, society in general, and other organisations. Social and Relationship Capital includes the trust placed in Hulamin by its customers, suppliers and society, and the impacts that flow from everything Hulamin does.

Human Capital

Human Capital refers to the health, wellbeing, intellectual engagement, motivation and competence of Hulamin's people, as well as their ability to do their jobs well and fulfil their personal potential. Hulamin buys this service from its people with salaries, benefits, and the intrinsic rewards from doing a worthwhile job.

Intellectual Capital

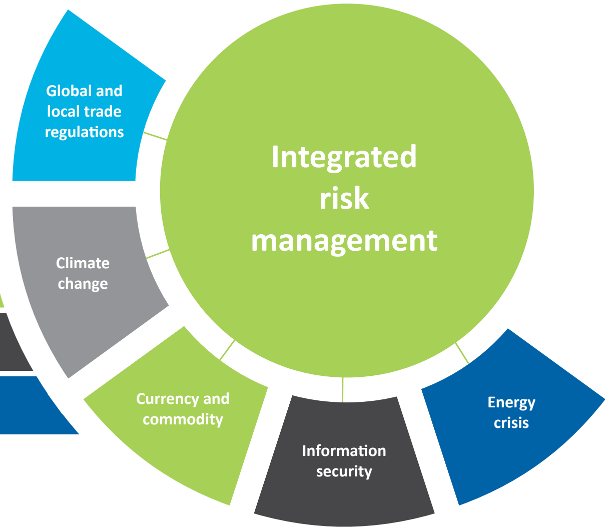
Intellectual Capital refers to things of value not on the balance sheet, but without which Hulamin would operate less efficiently or have a less optimal future. It includes data and information, as well as knowledge that is not financially quantified. It is R&D, innovation, intellectual property, and the sum of everything that everybody in the Company knows, that give an organisation its competitive edge.

Financial Capital

Arguably, Financial Capital has no real value other than shares, bonds and bank notes used to trade manufactured, natural, human, social, and intellectual capitals. It is the sum of funds available to an organisation, including cash in bank, invested capital, liabilities, OPEX, CAPEX, NBV and true assets value and income.

Risk management continued

1. Global and local trade regulations impacting our commercial strategy
2. Climate change
3. Currency and commodity
4. Information security
5. Energy crisis



1. Global and local trade regulations impacting our commercial strategy

Risk context

Global

Hulamin has manufacturing operations in South Africa but supplies to customers in over 50 countries around the world, and is therefore reliant on global supply chains. Markets and operations are affected by the political and economic environments within and between these countries.

There is a growing trend in protectionist trade policies around the world, and in support being provided to local manufacturing industries.

One example of such a policy is the US market, where anti-dumping duties have been implemented against some countries and producers.

Local

Imported volumes of aluminium sheet, foil and extruded products into the South African domestic market remain high in spite of a 15% duty. While there has been an increase in demand for our products locally, the absence of the import duty will see this demand drop off.

Potential impact on Hulamin

This risk impacts our ability to achieve our financial and volume objectives in the event that a punitive duty against South African producers is implemented in these markets. A duty of 8.85% was implemented on South African aluminium into the US.

In the domestic market, a review or reduction of the import duty may inhibit our ability to retain local customers and volumes. The implementation of local market duties has assisted Hulamin in growing its share of the local market, and the continued existence of these duties is imperative to maintaining this footprint.

Our response

Hulamin balances its product portfolio by ensuring that there is a balanced supply of goods to the domestic and international markets.

We actively monitor our pricing to ensure that we comply with regulations and reduce the risk of punitive duties in target markets. The administrative review of the duties into the US will be in April 2023.

On the local duty front, Hulamin will continue to advocate for the import duty to remain at 15% to protect the local market and the ground gained since its implementation. We continue to work with local manufacturers to grow the domestic aluminium market.

Capitals impacted

Intellectual capital

Financial capital

Risk management continued

2. Climate change

Risk context

The rate of climate change has accelerated in recent years, as has been evident in weather anomalies around the world. (KwaZulu-Natal's 2022 floods could be seen as an example of this.) A failure to meet the global goal of a less than 1.5°C increase in temperature is ongoing severe weather events in the future.

In addition, the international community has resolved to accelerate efforts to reduce the impact on the environment of temperature increases, which in some cases may mean the implementation of a carbon tax.

The production of aluminium is an energy-intensive process, and this is exacerbated by South Africa's reliance on coal for its electricity production.

Potential impact on Hulamin

The 2022 floods in KwaZulu-Natal negatively impacted Hulamin's supply chain and the infrastructure required to deliver its products. While Hulamin did not suffer any interruptions, suppliers and customers, as well as port activities, were negatively impacted.

One potential impact of the international community's resolution to create a green economy (requiring a move towards "green" aluminium) will be the implementation of carbon taxes. Europe, for example, is planning a carbon border adjustment mechanism to prevent "carbon leakage".

Our response

The Hulamin factories did not experience any floods, Hulamin has an extensive severe weather response plan that caters for floods. This plan has been further adapted by taking into account the 2022 floods, in order to further strengthen the Company's resilience.

Hulamin has committed to a science-based target in terms of its carbon footprint and has identified initiatives that enable the achievement of these targets. These initiatives include, among others: sourcing renewable energy to improve Hulamin's energy mix; focusing on resource efficiency; and actively engaging with key suppliers to facilitate a reduction in Scope 3 emissions. Refer to the Sustainability report for further details.

Capitals impacted

Manufactured capital

Financial capital

Natural capital

3. Currency and commodity

Risk context

Currency/commodity price volatility

Hulamin's conversion fees are predominantly foreign currency-based or denominated, whereas Hulamin's manufacturing costs are mostly Rand-based.

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

The Russia-Ukraine war has impacted the global supply of aluminium.

Potential impact on Hulamin

Hulamin's profits and cash flows are highly sensitive to currency levels as the Group's conversion margins are largely US Dollar and Euro denominated, whilst the Group's manufacturing costs are largely Rand-based.

In addition, on an unhedged basis, changes in the rand aluminium price can result in a high level of profit volatility, as metal pricing in cost of sales – based on an inventory FIFO valuation – is misaligned with metal pricing in sales. There is, however, on an unhedged basis, a low level of cash flow volatility, as monthly sales and purchases typically align in both pricing and volume.

Our response

From time to time, Hulamin hedges the currency levels on its conversion fees with derivatives to secure a suitable floor.

The Group uses derivative instruments, forwards and swaps, to reduce the profit and loss exposures resulting from metal price lag.
The Group applies a policy of hedging 50% of its US dollar aluminium price-lag risk exposure and 50% of its currency risk exposure on the metal lag. However, the use of derivatives would create a cash flow risk if the spot prices were to rise strongly, since new inventory would have to be purchased at a higher price than the proceeds received net of derivative settlements.

Capitals impacted

Manufactured capital

Financial capital

Risk management continued

4. Information security

Risk context

Hulamin's operations and its interactions with its customers, suppliers and other stakeholders increasingly rely on technology platforms to facilitate service delivery.

As reliance on digital technologies increases, there has been a corresponding increase in cyberattacks worldwide.

The increase in cybercrime globally has heightened risks relating to disturbances in critical IT systems, business processes and operations, as well as the unauthorised access to confidential information and knowledge.

Potential impact on Hulamin

The failure to adequately protect information systems may lead to a loss of the sensitive information required to produce Hulamin's array of technically complex products and may put the confidentiality of employees' personal information at risk.

Financial losses may result from theft of information or money, corruption of data, business interruption losses, and loss of customers.

Our response

A comprehensive cybersecurity roadmap is in place and the IT infrastructure necessary for withstanding potential cyberattacks has been installed.

Hulamin has engaged with external assurance providers to stress test its security protocols in order to ensure an ongoing improvement in its information-security environment, and to drive compliance with industry best practice.

Significant investment has gone into enhancing Hulamin's enterprise resource planning (ERP) systems and its ability to protect business and personal information.

Oversight of Hulamin's cybersecurity activities is provided by the Risk Committee and an IT Steering Committee.

Capitals impacted

Manufactured capital

Financial capital

5. Energy crisis

Risk context

South Africa has delayed investing in its electricity generation and distribution infrastructure. In addition, electricity generation capacity has been negatively impacted by Eskom's debt service costs, productivity issues, and input costs.

When the electricity grid is constrained, Hulamin is required to reduce its electricity consumption to an agreed level. This load curtailment is expected to increase in 2023, due to further challenges facing Eskom. This increase will place additional strain on the ability of Hulamin and its stakeholders to maintain production.

Potential impact on Hulamin

Failure to mitigate this risk may result in impaired volumes and financial losses for the year.

The ability of our suppliers and customers to withstand increased levels of loadshedding and curtailment may further impact Hulamin.

Our response

Hulamin works closely with Eskom to ensure that the Company complies with Eskom's demand-reduction plan while minimising production losses. An increase in load curtailment during 2023 is predicted. Hulamin has proactively resolved to add its own additional generation capacity, in order to meet Eskom's demand-reduction plan and minimise the impact of reduced Eskom supply.

Hulamin is also actively working with its customers and suppliers to understand the impact of the power crisis on their ability to procure from or supply to Hulamin.

Capitals impacted

Manufactured capital

Natural capital

Human capital

Financial capital

Performance outcomes

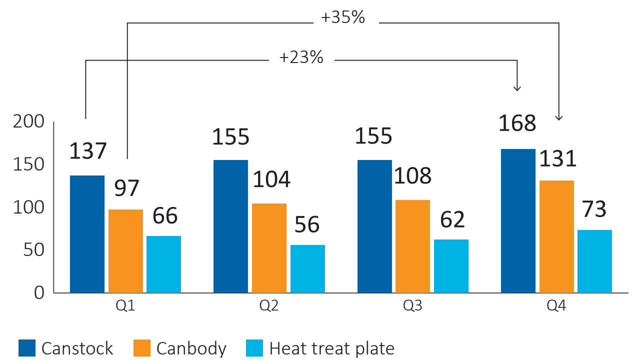
Manufactured capital

"Turnover increased by 22% to R16 billion on group sales of 211 328 tons."

Hulamin Extrusion's strong market performance from 2021 carried into 2022. However, by mid-year there was a downward pressure on volumes as a result of the KZN floods in April, and the reduction in customer volumes as a result of the end of their Automotive Sector contracts. These customers are expected to return to "normal" volumes in 2023 as a result of alternative contracts being concluded in the Automotive sector to the benefit of those customers. Despite these challenges Extrusions returned to strong volumes which have been carried through into the five-year business plan, and the increased certainty thereof is reflected in the discount rate.

Hulamin Rolled Products strong local demand continued through 2022. In the international market, Hulamin's export sales include Canstock, heat-treated plate for general engineering applications, and a substantial volume of distributor products referred to as common alloy. Global demand for aluminium rolled products has increased substantially during 2022 and looks set to continue through 2023 and beyond.

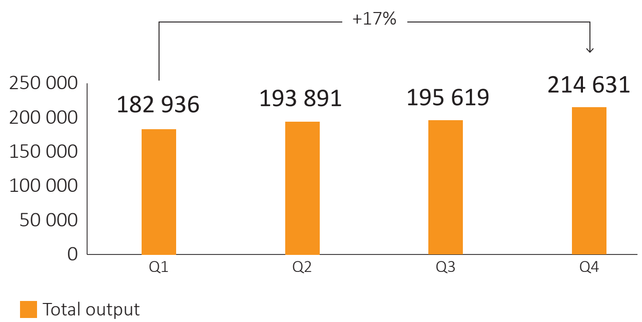
Improvements in the cans streams



Manufacturing Improvements for canstock and canbody was primarily driven by the following:

- Good manufacturing principles which are driven by industrial engineering principles or strategies at play when managing the Cans streams' *"Drum-Buffer-Rope approach."* This methodology simply means; ensuring that work gets released into the system at the right time.
- Principles of managing bottleneck equipment fully understood and aligned throughout the supply chain (from metal sourcing to packing).
- Ensuring that there is enough work-in-progress at each station. Work-in-progress store sizes are known and managed closely.
- Proactive maintenance programs in place to ensure that the reliability and availability of the machine centres can match the scheduled work-in-progress.

Rolled Products 2022 performance



Key challenges and drivers underpinning 2022 performance:

- Q1 -> Metal sourcing challenges from both Richards Bay and local Remelt to ensure that the Camps Drift Hot line was fully loaded.
- Q2/Q3 -> Major shuts at the metal system and three days at the Camps Drift Hot Line contributing to below 200,000 tons output.
- Q4 -> Hot mill performance set the tone for the good fourth quarter performance, as the mix running was conducive to running at optimal levels and good machine availability.

Other challenging trading condition further arose from:

- The global impact of the war in the Ukraine on shipping rates, commodity prices and general inflation on Hulamin's production costs. Hulamin has managed to mitigate these by optimising on product sales mix and negotiating pricing to mitigate these cost increases in order to maintain margins as evidenced by improved normalised earnings performance.
- The group experience heavy load shedding in 2022 with resultant power interruptions requiring higher plant load reduction number of plant load reduction. Increased load shedding is expected to continue into 2023. The group has adopted risk mitigation through investment in diesel-operated generators to help reduce the plant load curtailment.
- In the last quarter of 2022 Transnet Port terminals declared force majeure in the wake of protest action, of which impacted export sales. This risk was however mitigated by the existing local demand for canstock.
- Hulamin Richards Bay Casthouse liquid metal deliveries were impacted by the increase traffic to the Richards Bay Coal Terminal due to increased export demand, this overall affected HRB casthouse output.

Hulamin Operations continued to benefit from a 15% import duty on rolled aluminium products. This contributed towards an increase in demand for local products in 2022. This is expected to continue in 2023.

Group turnover grew by 22% to R16 billion (2021: R13 billion) on group sales volumes of 211 328 tons (2021: 221 600 tons). Local beverage can sales grew 7 045 tons (14%) as aluminium packaging continues to grow share of total beverage packaging market. Contracted prices for can stock firmed as can makers globally looked to secure raw material supply. This resulted in higher sales volumes from the sale of beverage can material and improved margins over the comparable period. These product streams also support increased scrap consumption with consequential benefits for margins.

Tight cost management has dampened the impact of commodity and energy inflation resulting in a stable cost base. The exchange rate weakened by 11% and this aided performance.

The outcome was that normalised EBIT improved to R565 million (2021: R66 million).

Capital outcomes scorecard summary

Social and Relationship

		2022	2021
Income taxes refund/(paid)	(R'000)	(41 017)	15 232
Spending on corporate social responsibility	(R'000)	2 797 613	2 923 293
B-BBEE status	(Level)	4	7

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

Capital trade-off
Hulamin balances investment in communities and development of EMEs and QSEs with the return required by providers of capital.

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

Human

		2022	2021
Employee costs	(R'000)	1 314 696	1 212 855
Number of employees		1 835	1 806
Lost time injury frequency rate		0.21	0.25
Total recordable case frequency rate		0.42	0.69

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

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

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

Manufactured

		2022	2021
Capital expenditure	(R'million)	231	154
Repairs and maintenance	(R'000)	395 154	377 781
Depreciation and amortisation	(R'000)	102 589	86 600
Rolled Products production volumes	(tons)	211 328	209 000

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

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

Actions to enhance outcomes
- Continued adherence to the asset management strategy.

Natural

		2022	2021
Total CO_2 emissions	(CO_2/MT produced)	1.72	1.69
Water consumption	(Kℓ/MT produced)	2.45	2.86
Electricity consumption	(KWh/MT produced)	1.13	1.19
Fuel gases intensity	(GJ/MT)	8.8	9.66

Moving forward
Hulamin considered emerging stakeholder, market expectation and sustainability trends and expectation in the development of its long range environment sustainability framework.

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

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

Financial

		2022	2021
Operating (loss)/profit	(R'000)	530 051	538 002
Free cash flows	(R'000)	(162 743)	141 221
Net debt to equity	(%)	27.8	24.1
Basic headline earnings per share	(cents)	99	182

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

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

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

Remuneration report

How Hulamin approaches Governance

Please refer to the Corporate Governance report for more information on Hulamin's application of King IV.

Composition of the Committee

Chairman (Remuneration): CA Boles
Chairman (Nominations): TP Leeuw

Other members

GH Watson (retired from committee 3 August)
N Maharajh (with effect from 4 August)

Part A: Chairperson's statement

Charles Boles

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2022 financial year on behalf of the Remuneration and Nomination Committee (Remco). The purpose of this report is to provide stakeholders with a detailed summary of the organisation-wide philosophy and policy pertaining to remuneration at Hulamin. In accordance with Hulamin's commitment to being a responsible corporate citizen, this report has been aligned with best practice reporting standards incorporating the King IV Report on Corporate Governance (King IV™) and the Listings Requirements of the JSE Limited.

Remco responsibilities and focus areas

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

The Remco meets at least three times per annum.

The Remco members and their meeting attendance record for FY22 is detailed below:

Member	25 February Scheduled	19 May Scheduled	19 July Special	18 August Special	19 September Special	30 November Scheduled	9 December Special	13 December Special
CA Boles	✔	✔	✔	n/a	✔	✔	✔	✔
TP Leeuw	✔	✔	✔	✔	✔	✔	✔	✔
GH Watson	✔	✔	✔	n/a	n/a	n/a	n/a	n/a
N Maharajh	n/a	n/a	n/a	✔	n/a	✔	✔	✔

In 2022, scheduled Remco meetings were held on 25 February, 19 May and 30 November, with three additional special meetings on 19 July, 18 August and 9 December. The special meetings were all called for the approval of the wage negotiations mandate, and changes to the STI bonus.

Key managers and executives are invited to attend Remco meetings, on an "as and when appropriate" basis. Management who are invited to attend Remco meetings do not participate in meeting votes as invitees and are recused when their remuneration is discussed.

In addition to its normal responsibilities, the Remco paid attention to reviewing the mandate for wage negotiations and the restructuring and refinement of the short-term-incentive (STI) system.

Following the successful transition to a quarterly STI bonus in 2022, the Remco approved several changes to the STI to help capture employees' discretionary effort. These changes include a "shopfloor" STI for the bargaining unit, and additional performance measures for management and staff (group, departmental and individual, in addition to divisional).

Routine activities

- Long-term incentive scheme awards were approved for senior management
- Remco terms of reference were reviewed and recommended to the Board
- The Remuneration Policy and Remuneration Report were reviewed and recommended to the Board
- Review of Remuneration Risk and reporting back to the Risk Committee on matters identified
- Quarterly STI targets and STI awards were approved quarterly as applicable

Non-routine activities

- Continued focus on containing and reducing manpower costs
- Introduction of an STI for all shopfloor (bargaining unit) employees
- Reconfiguration of the STI to drive more profitable management decisions

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

Management remuneration

Fair and reasonable remuneration, pay differentials, and transparent disclosure remain topics that stimulate diverse opinions in South Africa. Cognisant of these issues, the Remco has continued with initiatives and policy changes in line with King IV™ and the JSE Listings Requirements.

In addressing the requirements of the Employment Equity Act 55 of 1998, in relation to the principle of equal pay for work of equal value, the Remco monitors the Fair and Ethical Pay Framework and related reporting metrics.

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

Shareholder engagement

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

Appreciation

The Remco is satisfied that we appropriately executed our duties in terms of our mandate for the FY2022.

At the AGM held on 25 May 2022, Hulamin received a 95.2% non-binding advisory vote in favour of its remuneration policy (4.8% against) and 95.3% in favour of its implementation report (4.7% against).

We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamin, and particularly the Remco, are continuing the journey of implementing best practice standards in our remuneration reporting and disclosure.

CA Boles
Chairman of the Remuneration and Nomination Committee

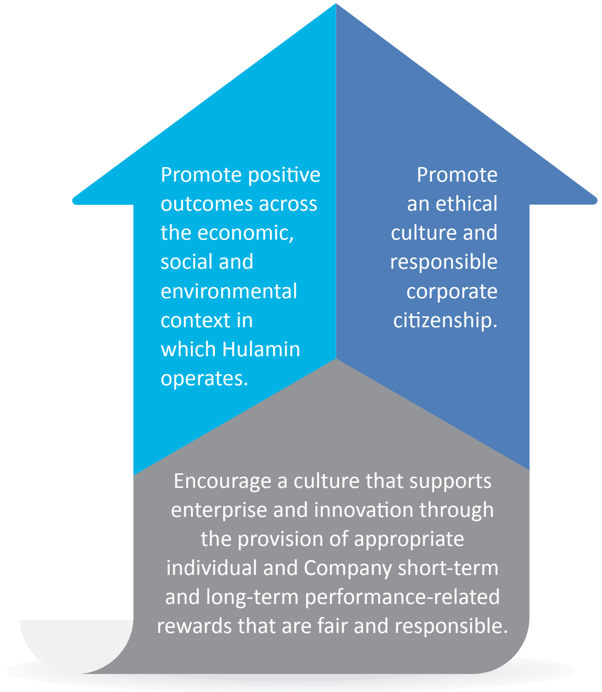
March 2023

Part B: Forward-looking remuneration policy

Remuneration philosophy

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

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



Hulamin's remuneration philosophy is geared towards pay for performance (alignment with shareholders) within the boundaries of the Company's risk appetite. It is also cognisant of the need to avoid misalignment due to external factors outside of employees' control (e.g., currency and commodity price volatility).

Fair and responsible remuneration

The Board, supported by the Remco, gives due consideration to the principle of fair and responsible remuneration. The Remco reviews and approves initiatives, policies, and arrangements to give effect to this principle in line with best practice, and in line with the Company's strategic objectives.

The Remco ensures that executive remuneration is appropriate within the context of overall employee remuneration. The Remco may make recommendations – and assist the Board in taking the following actions:

Investigating and assessing the internal pay disparities within the Company.

Examining the underlying reasons for pay disparities, if any.

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

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

Measuring performance

The Remco monitors the Gini coefficient, the Remuneration Gap and other statutory reporting metrics on an annual basis.

The table below represents the historic Gini coefficient for permanent employees. These compare favourably with the South African Gini coefficient, which ranges from 0.660 to 0.696:

	2016	2017	2018	2019	2020	2021	2022
Gini coefficient	**0.355**	**0.374**	**0.344**	**0.354**	**0.372**	**0.348**	**0.274**

Remuneration mix

Structure of packages

The quantum, structure, composition and mix of remuneration need to support the Company's strategic objectives, be market related and be competitive. To this end market surveys are conducted regularly and used to ensure that the above principles are applied fairly to all stakeholders.

The appropriate mix between guaranteed and variable pay (including the short and long-term elements of remuneration) are reviewed regularly by the Remco and the Board, taking market trends into consideration. The Remco ensures that the variable components of remuneration are designed to ensure that risks are appropriately managed while stretching employees to improve Company performance, and to avoid any possible over-dependence on these components.

Note that there is a direct relationship between seniority and at lower salary levels, variable pay proportion of total remuneration.

Total guaranteed pay (TGP)

Components of TGP:

Cash salary	The major portion of guaranteed pay consists of a cash salary. Regular benchmarking exercises are conducted to ensure that Hulamin employees' cash salaries are market related and appropriately competitive. Staff also receive a grade-based cellular phone allowance.
Annual "13th cheque"	A 13th cheque amounting to 10% of the annual basic salary is paid to all employees from the lower E-band and below.
Retirement and medical aid contributions	Guaranteed pay includes an employer contribution to a company-approved retirement fund and a medical aid subsidy.

Remuneration report continued

Factors affecting TGP:

Premiums	Market premiums are necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's cash salary.
Other benefits	Hulamin offers retirement benefits for staff employed prior to June 2021 with a minimum of 10 years' service. These include a gratuity based on the length of their service and their final salary, as well as general accident insurance for middle and senior management.
Positioning	Hulamin aims for guaranteed pay to be in line with the market median, recognising that there are cases of differentiation (i.e., within a range of the market median) based on individual performance and value to the business.
Salary reviews and increases	Annual cash salary increases for individuals are determined primarily by their performance and anticipated future value to the business, recognising an individual's pay relative to the market. Performance ratings are conducted before annual increases are determined, and are calibrated both within an employee's department, and between departments to ensure that ratings approximate a normal distribution. In cases where pay anomalies are identified, attention is given to adjusting employees' pay in line with their performance and the market. Differentials in increase percentages are weighted such that the aggregate of the increases does not exceed the approved average overall increase. The remuneration increases of executives are considered when determining the average increase for other employees. By linking percentage increases to performance, the expectation is that exceptional performers maintain a differential in their cash salaries.
Under-performance	Performance that falls below expectation is primarily managed through performance counselling and/or disciplinary action.

Variable pay

Short-Term Incentive Bonus (STI)

The primary purpose of the STI is to serve as a motivator of performance over the short-term (one year and less). Refinements to the STI are considered from time to time to improve the efficacy of the scheme.

There are three elements to the STI. A financial component is assessed annually and is available to executives and senior management. The operational component applies to all employees and is assessed quarterly and authorised by the Board (once management accounts are approved). Individual performance is also assessed quarterly, based on the Hulamin performance management process.

STI awards are subject to the following multiples:

	% of performance target achieved	Multiple of on-target STI paid
No award payable	<98%	0.00
Minimum performance for award to be paid	98%	0.90
On-target performance	100%	1.00
Out-performance for maximum operational award	105%	1.50
Out-performance for maximum executive financial award	125%	2.50

The total of all management (grades LD2 and above) STI payments (financial, operational, and individual) for the year are limited to 10% of Company normalised earnings before interest and taxes (EBIT). This provides a direct link between shareholder-value created and employee remuneration. The staff (grades LD1 and below) and shopfloor STIs are treated as budgeted manpower costs and are excluded from the 10% EBIT cap. This is because employees at these levels do not have a direct line-of-sight to company profitability.

The annual financial performance conditions are based on the Board-approved budget on equal weightings:

- Group normalised EBIT; and
- Group cash flow from operations.

The quarterly operational performance targets are based on Board-approved annual budgets by division:

- Sales volumes are measured in tons with the intention of increasing total sales.
- Production volumes are measured in tons with the intention of increasing productivity in the plant.
- Individual performance is based on Key Performance Areas with the intention of improving individual accountability.
- Safety performance is used as a disqualifier in the event of a fatality on site.

Financial capital > Aligns employee reward with shareholder value through the company's profitability and liquidity performance.

Manufacturing capital > Aligns employee rewards with the company's operational objectives, aligning with shareholder value.

Remuneration report continued

The STI scheme consists of several different proportional award levels, dependent on the employee's grade.

The percentage of TGP payable for on-target performance is reflected in the table below:

	Grades	Financial STI as % of TGP	Operational STI as % of TGP	Individual STI as % of TGP	Total on-target STI as % of TGP
Management STI					
CEO	FU	36%	12%	12%	60%
CFO	FL	30%	10%	10%	50%
Other executives	FL	24%	8%	8%	40%
Senior management	EU	16.5%	9.9%	6.6%	33%
Senior management	EL	6.25%	13.75%	5%	25%
Middle management	DU – DL2	N/A	12%	3%	15%
Staff STI[1]					
Junior management and staff	DL1 – CL		8%	2%	10%
Shopfloor STI[2]					
Operators and artisans	N/A	N/A	R2 000	R500	N/A

1 *Staff and shopfloor STI schemes are treated as a budgeted expense and are not limited to 10% of EBIT.*
2 *The shopfloor STI is based on fixed rand amounts per performance measure and is not based on individual employee pay.*

The Remco and Board have discretion over the payment of performance-based incentive bonus awards.

Long-Term Incentives (LTIs)

The variable-pay component of Hulamin's remuneration packages is structured to include LTIs for executives and senior management that are market-related and based on Company performance.

The primary purpose of the LTIs is to incentivise employees to achieve Company long-term objectives, specifically objectives that have multi-year durations, and secondly to retain key talent.

Financial performance conditions are included for alignment with shareholder interests.

Financial capital

Performance measures drive an increase in the value and the return on the investments made by Hulamin's shareholders.

ECSP – Equity-settled Conditional Share Plan

The ECSP provides for three types of conditional shares, each with three-year vesting periods:

Performance Shares (PS)

Awarded to executives and senior management. Vesting is subject to satisfying performance and employment conditions in line with the Group's approach of performance-related incentives.

Bonus Shares (BS)

Awarded to executives, senior and selected middle management. The value is determined as a percentage of the prior year STI. Vesting is subject to meeting the employment condition.

Retention Shares (RS)

Awarded selectively by the Remco to attract and retain executive and senior management. Vesting is subject to the satisfaction of the employment condition and the value is limited to 25% of the employee's TGP.

In line with best practice, annual awards of Bonus and Performance Shares are made to incentivise long-term shareholder value creation and alignment with market norms. In addition, the award of Retention Shares is only used in cases where there is a specific need to attract or retain talent.

Annual awards target market-related remuneration whilst considering overall affordability.

Bonus Shares are not subject to additional performance conditions because they have an "entry performance requirement", where the quantum of the Bonus Shares is derived from the actual STI (performance) paid in the prior year.

Performance Share awards made to participants are subject to the following performance condition, measured over a three-year performance period:

Return on Capital Employed (ROCE)

- Weighted 100%
- Measured against the accumulated "Normalised" ROCE (excluding metal price lag) based on the prior year Board approved Business Plan
- Normalised EBIT target for the next three years is set at an average of 14.2%
- The Board has discretion to adjust the base ROCE for major changes in Capital Employed during the vesting period.

Remuneration report continued

The executive and selected management are offered annual LTI awards in terms of the annual allocation levels (as a percentage of TGP), based on the benchmarks set out below:

Position	Grade	BS as % of TGP	PS as % of TGP	Total ECSP Award face value as % of TGP
CEO	**FU**	**24%**	**36%**	**60%**
CFO	**FL**	**20%**	**30%**	**50%**
Other executives	**FL**	**16%**	**24%**	**40%**
Senior management	**EU**	**13%**	**20%**	**33%**
Senior management	**EL**	**10%**	**–**	**10%**
Middle management	**DU**	**6%**	**–**	**6%**

Dilution limits applicable to the ECSP

The ECSP is implemented within the shareholder-approved dilution limit. The maximum aggregate number of shares that may be acquired by participants may not exceed 15 650 000 shares (5% of issued share capital), with the maximum for any one participant being 3 130 000 shares (1% of issued share capital).

Malus

The rules of the ECSP provide for the Remco to reduce the number of shares awarded to a participant under the following conditions:

- A material misstatement resulting in an adjustment to the audited financial statements
- The assessment of any performance condition based on an error, or misleading or inaccurate information, and/or
- The information used to determine the number of awards being based on an error, or misleading or inaccurate information.

Manner of settlement of LTI awards

The rules provide for the following methods of settlement:

- Purchase shares off the market
- Use of treasury shares
- Issue new shares (within the dilution limit); and/or
- Cash settlement.

The company generally settles the awards through the purchase of shares in the market. The exact method of settlement is determined by the Remco with reference to the dilution limits and the business cycle.

Early termination of employment

Employees terminating employment prior to the vesting of the award will be classified as either "fault" or "no-fault" leavers, depending on the circumstances under which their employment is terminated.

No-fault leavers
(Termination due to death, retrenchment, retirement, or the sale of a subsidiary company)

No-fault leavers receive a pro-rated portion of unvested awards (accelerated vesting) to the extent that performance conditions (if any) were met.

Fault leavers
(Termination due to resignation or dismissal)

Fault leavers forfeit all unvested awards.

2015 Employee Share Ownership Plan (2015 ESOP)

The objectives of the 2015 ESOP were primarily:

To attract and retain high-calibre black employees at every level of the Hulamin business

To create a sense of ownership amongst employees and engender an ownership culture within the greater Hulamin workforce

To distribute a significant portion of the B-BBEE transaction benefits amongst the widest possible group of beneficiaries who are critical to the sustained success of the business

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

Participation is through two classes of "A" ordinary shares, 85% of which are appreciation rights ("A2"), and 15% of which were issued with no strike price ("A3"). During the vesting period both classes of shares participate in dividends declared by the company. The A3 ordinary shares are entitled to a cash dividend when declared, but for the A2 ordinary shares, the dividend is utilised to reduce the strike price of the right at the time of vesting.

Both classes of shares are scheduled to vest after five years (February 2026).

The appreciation in the value of A2 ordinary shares will be converted to Hulamin ordinary shares and the balance of the unvested portion of A2 ordinary shares bought back by the company at a nominal value at the time of their vesting.

Executive conditions of employment

Executives are employed under the same employment conditions as other staff, except for longer notice periods. The notice period for the CEO is three months and the notice period for other executives is two months. Hulamin reserves the right to terminate an executive's employment, without notice, for any cause deemed sufficient by law.

Succession planning for the CEO is in place.

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

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

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

Non-executive directors' (NEDs) fees

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

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

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

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

The proposed fees will be tabled before shareholders for approval by special resolution at the 2023 AGM:

		Present fees to 31 July 2023		**Proposed fees from 1 August 2023**		
Role		Annual retainer Rands	Attendance per meeting Rands	**Annual retainer Rands**	**Attendance per meeting Rands**	% change
Chairman of the Board		516 320	44 260	**547 300**	**46 900**	6
Member of the Board		188 660	16 170	**200 000**	**17 100**	6
Chairman of the Audit Committee		135 790	19 390	**143 900**	**20 600**	6
Member of the Audit Committee		78 900	11 280	**83 600**	**12 000**	6
Invitee of the Audit Committee		N/A	11 280		**12 000**	6
Chairman of the Risk Committee		93 750	13 390	**99 400**	**14 200**	6
Member of the Risk Committee		51 460	7 350	**54 500**	**7 800**	6
Invitee of the Risk Committee		N/A	7 350		**7 800**	6
Chairman of the Remco		93 750	13 390	**99 400**	**14 200**	6
Member of the Remco		51 460	7 350	**54 500**	**7 800**	6
Invitee of the Remco		N/A	7 350		**7 800**	6
Chairman of the Social, Ethics and Sustainability Committee		93 750	13 390	**99 400**	**14 200**	6
Member of the Social, Ethics and Sustainability Committee		51 460	7 350	**54 500**	**7 800**	6
Invitee of the Social, Ethics and Sustainability Committee		N/A	7 350		**7 800**	6
Chairman of an *ad hoc* Board Committee		N/A	13 390		**14 200**	6
Member of an *ad hoc* Board Committee		N/A	7 350		**7 800**	6
Invitee of an *ad hoc* Board Committee		N/A	7 350		**7 800**	6
Fees for international NEDs	(€)	31 570	2 700	**33 460**	**2 860**	6
Fees for international NEDs	($)	31 950	2 740	**33 870**	**2 900**	6

Voting and shareholder engagement

Voting on the remuneration policy and implementation report

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

Shareholder engagement

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

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

Method of engagement may include:

- Emails, written correspondence, telephone or video calls, one-on-one meetings, investor roadshows, and other methods of communication to the relevant contact persons at the shareholders, after the AGM concerned (and throughout the financial year), regarding the reasons for the dissenting votes.
- Responses to shareholder queries explaining, in more detail, the elements of the remuneration policy that caused concern. Where appropriate, the Board may resolve to amend certain elements of the remuneration policy to align the policy with market norms.

Part C: Implementation of the remuneration policy

This implementation report is subject to an advisory vote by shareholders at the AGM dated 25 May 2023.

Total guaranteed pay (TGP)

The Remco approved an annual salary increase of between 6% for the executive and 7.25% for non-bargaining unit employees in 2022 (effective January 2023). The Remco is satisfied that the increase levels for the executive directors are in line with increase levels throughout the company. The weekly-paid and artisan employees are subject to wage negotiations with the bargaining council and received a 7.25% increase in 2022.

Short-term incentive outcomes

Following the successful implementation of a quarterly STI, the Remco took the decision to restructure the annual STI bonus, creating a quarterly operational incentive for all non-bargaining unit employees, and annual financial and individual STI performance measures for executives. The STI was within the same limits as the previous STI.

The table below sets out the performance outcomes for the STI at the Group level:

Performance measure	Threshold target R'000	Stretch target R'000	Actual performance R'000	Actual achievement %	Total STI paid R'000
Financial					
EBIT	519 043	648 804	537 139	82.8	N/A
Operating cash flow	266 942	333 677	200 000	59.9	N/A
Total	n/a	n/a	n/a	71.4	–
Operational					
Quarter 1 (sales tons)	43 231	54 038	52 188	96.6	15 098
Quarter 2 (sales tons)	45 632	57 040	52 357	91.8	840
Quarter 3 (sales tons)	47 979	59 974	49 808	83.0	602
Quarter 4 (sales tons)	49 718	62 148	58 642	94.4	16 468
Total (sales tons)	186 560	233 200	212 996	91.3	33 009
Individual					1 811
Total STI paid for the year					34 820

Remuneration report continued

The table below sets out the performance bonuses the executive directors were paid in 2022, based on the achievement of Company operational and financial performance:

Participant	TGP Rands	STI % of TGP Rands	On-target STI Rands	Annual STI Rands	Quarterly Operational STI Rands	Total STI included in single figure remuneration Rands
RG Jacob[1] (CEO)	6 443 278	60%	3 865 967	–	613 043	613 043
M Gounder (CFO)	3 643 880	50%	1 821 940	334 690	288 848	623 538

1 Retired 30 September 2022.

Long-term incentive (LTI) outcomes

The 2019 ECSP awards were due to vest in 2022, and consequently the performance conditions for the Performance Shares (PSP) were measured over the three-year performance period that ended 31 December 2021. The target performance (TSR 15% and ROCE 10.6% over three years) was not met and the 2019 PSP award lapsed.

As the Bonus Shares (BSP) vested through service (no additional performance conditions), these shares were delivered to participants.

A routine annual BSP and PSP award was made to 104 employees of qualifying senior management on 14 December 2022, with a three-year vesting period (to vest on 13 December 2025). The return on capital employed (ROCE) performance condition is outlined in the Remuneration Policy.

The following table summarises the 2022 PSP award:

Employee category	Number of employees	Market median (% of TGP)	Calculated value of award (Note 1) Rands	Calculated number of awards (Note 2) Rands	Final IFRS2 value of awards (Note 3) Rands
CFO	1	30%	1 110 044	265 714	786 513
F band	6	24%	4 371 488	1 046 413	3 097 382
Upper E band	21	20%	9 301 948	2 226 630	6 590 825
Total	28		14 783 480	3 538 757	10 474 721

Note 1: Value of award = TGP x Market median benchmark (per grade).
Note 2: Number of awards = Value of the award/30day VWAP as at December 2021 (R4.18).
Note 3: Final value based on IFRS2 valuation (R2.96) x Final number of awards, as disclosed in the Annual Financial Statements.

The following table summarises the 2022 BSP award:

Employee category	Number of employees	Market median (% of TGP)	Calculated value of award (Note 1) Rands	Calculated number of awards (Note 2) Rands	Final IFRS2 value of awards (Note 3) Rands
CFO	1	20%	568 054	135 976	421 526
F band	6	16%	2 449 257	586 285	1 817 484
Upper E band	21	13%	3 149 054	753 799	2 336 777
Lower E band	42	10%	3 210 564	768 520	2 382 412
Upper D band	16	6%	631 302	151 116	445 610
Total	86		10 008 230	2 395 696	7 403 808

Note 1: Value of award = TGP x Market median benchmark (per grade).
Note 2: Number of awards = Value of the award/30-day VWAP as at December 2021 (R4.18).
Note 3: Final value based on IFRS2 valuation (R3.10) x Final number of awards, as disclosed in the AFS.

In addition to the above routine awards, one key employee was granted an award of 131 587 Retention Shares (RSP) on 2 December 2022, to the value of R550 033 to vest on 1 December 2025.

The table below sets out the share scheme awards to the executive directors in 2022:

Employee	Market median (% of TGP)	Annual TGP (Note 1) Rands	Calculated value of awards (Note 2) Rands	Number of awards (Note 2) Rands	Final IFRS2 value of awards (Note 3) Rands
M Gounder (CFO)	50%	3 700 148			
BSP			568 054	135 976	421 526
PSP			1 110 044	265 714	786 513
Total			1 678 098	401 690	1 208 039

Note 1: Annualised TGP is based on salary and fringe benefits at time of award.
Note 2: Number of awards = Value of the award/30-day VWAP as at December 2021 (R4.18).
Note 3: Value used in single-figure remuneration table.

Remuneration report continued

Unvested LTIs

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

Director/ LTI scheme[1]	Date awarded	Vesting date	Grant price Rands	Opening number	Awarded during the year	Delivered during the year	Lapsed during the year	Closing number	Indicative value[2] Rands
M Gounder (CFO)									
ECSP – PS	**26 May 21**	**25 May 24**	**2.24**	**523 606**		**–**	**–**	**523 606**	**1 633 650**
ECSP – PS	**14 Dec 22**	**13 Dec 25**	**3.10**	**–**	**265 714**	**–**	**–**	**265 714**	**829 028**
ECSP – BS	**14 Dec 22**	**13 Dec 25**	**3.10**	**–**	**135 976**	**–**	**–**	**135 976**	**424 245**

1 *Directors as at 31 December 2022.*
2 *Indicative value of outstanding LTI reflects the number of outstanding instruments x vesting probability [%] x year-end share price (R3.12).*

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.

2022	Cash salary Rands	Company contributions Rands	STI Rands	LTI Rands	Total Rands
RG Jacob[1] (CEO)	**4 168 350**	**5 324 565**	**575 171**	**–**	**10 068 086**
GH Watson[2] (Interim CEO)	**3 135 889**	**93 195**	**–**	**–**	**3 229 084**
M Gounder (CFO)	**3 100 600**	**543 280**	**653 418**	**1 208 039**	**5 505 337**
Total	**10 404 839**	**5 961 039**	**1 228 589**	**1 208 039**	**18 802,507**

1 *RG Jacob retired on 30 September 2022. Nine month's remuneration is reported. Company contributions include R4 660 827 for leave pay and a retirement gratuity in line with company policy.*
2 *GH Watson was appointed on 4 August 2022. Five months' remuneration is reported, excluding NED director fees earned during his tenure on the Board. These fees are reported in the NED fee schedule that follows.*

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

2021	Cash salary Rands	Company contributions Rands	STI Rands	LTI Rands	Total Rands
RG Jacob (CEO)	5 293 440	783 705	3 904 935	2 042 690	12 024 769
M Gounder[1] (CFO)	2 164 950	380 741	1 420 134	958 199	4 924 024
LM Farquharson[2] (Acting CFO)	650 400	129 765	395 499	–	1 175 664
Total	8 108 790	1 294 210	5 720 568	3 000 889	18 124 457

1 *M Gounder was appointed from 1 April 2021. Nine months remuneration is reported.*
2 *LM Farquharson was Acting CFO to 31 March. Three months remuneration is reported.*

NED fees

The table below sets out the fees paid to NEDs in 2022:

Name	Retainer fees 2022 Rands	Attendance fees 2022 Rands	Total fees 2022 Rands
TP Leeuw	**602 038**	**443 240**	**1 045 278**
VN Khumalo	**274 570**	**176 870**	**451 440**
SP Ngwenya	**233 453**	**140 280**	**373 733**
GH Watson	**390 500**	**227 177**	**617 677**
N Maharajh	**386 910**	**243 580**	**630 490**
CA Boles	**351 277**	**262 740**	**614 017**
B Mehlomakulu	**377 811**	**261 500**	**639 311**
RL Larson	**571 444**	**402 923**	**974 367**
Total	**3 188 003**	**2 158 310**	**5 346 313**

Approval

This report was approved by the Remco on 17 March 2023 and the Board on 24 March 2023. The Remco as well as the Board are satisfied that there were no material deviations from the remuneration policy during the 2022 financial year.

Annual Financial Statements

06

Contents

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

The Board of Directors ("Board") is responsible for the preparation, integrity and fair presentation of the Annual Financial Statements for the year ended 31 December 2022 of Hulamin Limited and its subsidiaries and the related financial information included in this report.

The Board considers that in preparing the Annual Financial Statements it has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards ("IFRS") that it considers to be applicable have been followed. The Board is satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Company and the Group at year-end. The directors further acknowledge that they are responsible for the content of the Integrated Report and its supplementary documents, as well as its consistency with the Annual Financial Statements.

The Board has responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the Annual Financial Statements comply with the relevant legislation.

The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Annual Financial Statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

The Company and its subsidiaries operate in a well-established control environment, which is documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled. Based on the results of a formal documented review of Hulamin's system of internal controls and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing other than detailed in the Chief Executive Officer and Chief Financial Officer statement 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 going concern basis has been adopted in preparing the Annual Financial Statements. The Board has no reason to believe that the Group or any company within the Group will not continue on the going concern basis in the foreseeable future, based on forecasts, available cash resources and facilities. These Annual Financial Statements support the viability of the Company and the Group. We have also considered the potential implications of the armed conflict in Eastern Europe in the assessment of the Group's ability to continue as a going concern and we believe it will not have a significant adverse effect on our business.

The financial statements have been audited by the independent auditing firm, Ernst & Young Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board and sub-committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. The unqualified report appears on pages 53 to 55.

The annual financial statements of the Group and Company set out on pages 55 to 109, which have been prepared on the going-concern basis by P Nirghin CA(SA), under the supervision of our Group Chief Financial Officer, Meganathan Gounder (CA)SA, were approved by the Board on 2 March 2023 and were signed on its behalf by:

Thabo Patrick Leeuw
Chairman

Geoff Watson
Interim Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
2 March 2023

Certificate by the company secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 31 December 2022, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Zaza Ka-Malinga on behalf of Zibandakanye Consulting & Projects
Company Secretary

Pietermaritzburg, KwaZulu-Natal
2 March 2023

The CEO and CFO's responsibility statement

In terms of Section 3.84(k) of the JSE Limited Listings Requirements, the directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 55 to 109, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS
- To the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls

Where we are not satisfied, we have disclosed to the Audit Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and have taken steps to remedy the deficiencies. We are not aware of any fraud involving directors.

We are not aware of any fraud involving directors.

Geoff Watson
Interim Chief Executive Officer

Meganathan Gounder
Chief Financial Officer

Pietermaritzburg, KwaZulu-Natal
2 March 2023

Directors' statutory report

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2022.

Nature of business

Hulamin is a leading, focused, mid-stream aluminium semi-fabricator. It purchases primary aluminium and supplies its range of high value, niche rolled products and complex extrusions to manufacturers of finished products in South Africa and over 50 countries around the world. Hulamin's largest activity is aluminium rolling which contributes more than 80% to its revenue, with the balance comprising extruded products and other downstream products. Both the local and export market equally contribute to Hulamin's business.

Financial results

The financial results of the Group are set out on pages 55 to 101 and of the Company on pages 102 to 109 of the Annual Financial Statements. The segmental analysis is included on page 66. Pertinent extracts of these results are as follows:

- The net profit attributable to shareholders of the group for the year ended 31 December 2022 amounted to R300 million (2021: net profit of R591 million).
- Earnings per share amounted to 97 cents (2021: earnings per share of 192 cents).
- Headline earnings per share of 99 cents (2021: headline earnings per share of 182 cents)
- Metal price lag ("MPL") loss of R26 million (refer note 2.1(b)) was recorded in 2022 (2021: gain of R426 million)

Solvency and liquidity

The group's net borrowings were R836 million (2021: R651 million) and net debt was 897.6 million (2021: R703.5 million) as at 31 December 2022. This represents a net debt to equity ratio of 28% (2021: 24%).

The annual financial statements presented on pages 55 to 109 set out fully the financial position, results of operations and cash flows for the year.

Dividends

No dividends were declared for the year ended 31 December 2022 (2021: NIL).

Share capital

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

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

Details of the authorised, issued and unissued ordinary shares, the share repurchase, and the group's share incentive schemes are set out in notes 3.4 and 8.1 of the group financial statements.

Subsidiaries

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

Directorate and Secretary

The following changes in the directorate and secretary occurred during the year under review:

- Mr GH Watson resigned from the Board as a Non-Executive Director with effect from 3 August 2022 and was appointed Interim CEO with effect from 4 August 2022.
- Mr RG Jacob retired with effect from 30 September 2022.
- Ms S Ramoetlo, the Company Secretary, resigned with effect from 30 September 2022. Zibandakanye Consulting & Projects (Pty) Ltd was appointed as Company Secretary with effect from 1 October 2022. Ms Zaza Ka-Malinga acts for and on behalf of the business.

The company secretary's business and postal address appears in the corporate information section.

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

Directors' and prescribed officer's shareholdings

At 31 December 2022, the present directors and prescribed officer of the company beneficially held a total of 249 137 ordinary no par value shares, equivalent to 0.10 percent, in the company (2021: 928 432 ordinary no par value shares, equivalent to 0.30 percent, were held by directors).

Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in notes 8.3.2 and 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 31 December 2022 and 6 March 2023.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2022.

Auditors

Ernst & Young Inc. continued as auditors of Hulamin Limited and its subsidiaries during the current financial year.

Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that no events other than the latest tax legislation changes noted below occurred:

Going concern

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

Despite the deterioration in the group's liquidity position during 2022 to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities, Hulamin's committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due. The consolidated financial statements for the year ended 31 December 2022, therefore, have been prepared on the going concern basis.

Considerations used in making this assessment are set out in note 1.9 of the group financial statements.

Approval

The annual financial statements of the group and company set out on pages 55 to 109 have been approved by the board. Signed on behalf of the board of directors by:

Thabo Patrick Leeuw
Chairman

Geoff Watson
Interim Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
2 March 2023

Report of the Audit Committee

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 code on Corporate Governance ("King IV"), for the financial year ended 31 December 2022.

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.

The table below reflects a summary of the activities undertaken by the Audit Committee during the year under review, in terms of its terms of reference and in support of the Board, with the resulting material outcomes from these activities:

Activities	Outcome
Engagement with the Group's external auditor	• Ernst & Young Inc. ("EY") recommended for reappointment as auditor, and Sifiso Sithebe as the designated auditor, having satisfied itself of the capacity and independence of this firm and the designated auditor; • Ensured that there were no scope limitations in respect of audit work performed by EY and that there were no factors that impacted the independence of EY as the external auditors; • Determined the fees (note 2.4.5 of the financial statements) to be paid to the auditor and the auditor's terms of engagement; • Ensured that the appointment of the auditor complies with the Companies Act, the applicable JSE Listings Requirements, and any other legislation relating to the appointment of the auditor; • Determined the nature and extent of any non-audit services that the auditor may provide to the Group, which in terms of our policy should not exceed 25% of the annual audit fee without specific Audit Committee approval; • Pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group, which are of a material nature as provided for in the Group's non-audit services policy (In respect of the provision of non-audit services: for the year ended 31 December 2022, EY was engaged to assist with energy and incentives related projects for which the total cost of the projects did not exceed R250,000 and for the year ended 31 December 2021, no fees were paid to EY.); • Met separately with EY (without presence of management) three times this year; • Called for the necessary reports and letters issued by the Independent Regulatory Board of Auditors ("IRBA") of South Africa, a summary of the firm's monitoring processes and the outcome of any legal or disciplinary proceedings which may have been instituted against the firm or designated auditor by the IRBA and satisfied itself that there were no areas of concern in respect of the reports, letters and summaries considered; and • Noted that the external auditor had expressed an unqualified opinion on the Annual Financial Statements for the year ended 31 December 2022.

Activities	Outcome
Compliance with Companies Act requirements	• Prepared this report in compliance with section 94(7)(f) of the Companies Act. The full mandate, roles and responsibilities of the Committee, as per its formally adopted terms of reference, may be accessed within the Governance Report at: Corporate Governance | About | Hulamin; • Stands ready to receive and deal with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Annual Financial Statements, the internal financial controls of the Company and the Group or any related matter; and • Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.
Internal financial controls, internal audit and combined assurance	• Confirmed that, based on the results of the formal documented review of the design, implementation and effectiveness of the Group's systems of internal financial controls conducted by Group internal audit, approved outsourced internal audit service providers during the 2022 financial year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audits, other than reported further in this document, no material breakdowns in the functioning of the internal financial controls were noted during the year under review; • Confirmed that the results of the audit tests conducted indicate that the internal financial controls provide a sound basis for the preparation of financial statements; • Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the outsourced internal audit function; • Met separately with internal audit (without presence of management) once this year; and • Ensured that a comprehensive combined assurance model was applied to the Group's key risks so as to provide a coordinated approach to all assurance activities and confirmed that there were no significant areas of overlap or assurance gaps and the levels of assurance were considered appropriate.
Oversight of risk governance and risk management	• Reviewed and considered the report by internal audit on the effectiveness of the Group's risk management processes; and • Reviewed and considered the status of financial reporting risk, information technology, fraud and compliance risk as they relate to financial reporting and internal controls for the year under review, as reported on by the Group's internal and external auditors.
Integrated reporting	• Will review the Group's Integrated Report and the sustainability information as disclosed therein to evaluate the integrity of reported information and for consistency with the Annual Financial Statements, prior to its release in due course; and • Considered financial-related tip-off reports and management actions to address these.

Report of the Audit Committee continued

Activities	Outcome
Assurance in respect of financial expertise of the Financial Director and finance function	Confirmed the expertise and experience of the: • Chief Financial Officer, who performs the duties of the Company's Financial Director; and • Group's finance function and the senior members of management responsible for the Group's finance function.
Information & Technology ("I&T") Governance	• The committee oversees the governance of technology and information by setting the direction on how technology and information should be approached and addressed; • The committee reviewed the governance structure, key risks, internal controls and activities of the technology and information function during the year. The key matters which are being attended to relate to a cybersecurity control and resilience improvement programme, and an updated IT strategy, which includes the modernisation of Hulamin's application environment and a digitalisation programme • Performed a critical evaluation of the Group's I&T governance framework to better evaluate, direct and monitor Hulamin's I&T assets, as well as to align I&T services with the Group's current and future business needs; and • Monitored the programme to mitigate infrastructure technology security risks and maturity being coordinated centrally and maintained oversight of the mitigation plans introduced to address the risk of material operational and disruptive incidents.

Committee members and attendance at 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 2022 annual general meeting of the company in terms of section 94(2) of the Companies Act. The following table of attendance at Audit Committee meetings reflects the Committee's meetings held during the year and the attendance of these meetings by its members during the year:

Audit Committee	22 March 2022	16 May 2022	22 August 2022	17 October 2022
N Maharajh (Chairman)	✔	✔	✔	✔
CA Boles	✔	✔	✔	✔
Dr B Mehlomakulu	✔	✔	✔	✔

The overall average attendance for the Audit Committee meetings held during the year was 100%.

Annual financial statements for the 2022 financial year

The Committee has reviewed the Annual Financial Statements as well as trading statements, preliminary results announcements and interim financial information of the Company and the Group for the year under review and is satisfied that they comply with International Financial Reporting Standards. The Committee also considered the JSE's report titled "Report on proactive monitoring of financial statements in 2022", dated 4 November 2022, and received management's confirmation that the necessary and appropriate actions were taken to ensure the findings and recommendations of this report are implemented and adopted within the Group as appropriate.

Internal controls confirmation

The committee has overseen a process guided by principle 15 of the King Code, by which Hulamin management and internal audit performed a written assessment of the effectiveness of the company's system of internal control, risk management and governance processes, including internal financial controls. This process enabled the committee to ensure that Hulamin's internal assurance services and functions enable an effective control environment, and that these services and functions support the integrity of information for both Hulamin's internal decision- making and for Hulamin's external reports.

The CEO, CFO and the General Manager: Group Financial Reporting, reviewed the controls over financial reporting, and presented their findings to the Audit Committee. During the current financial year management identified two significant deficiencies in internal control over financial reporting of the 560 controls tested throughout the year.

These significant deficiencies relate to certain controls with respect to the group's CWIP processes and the capitalisation of strategic spares to property, plant and equipment. Hulamin embarked upon a remediation project in 2021 arising from the ongoing internal controls assessment performed as reported on in the 2020 Report of the Audit Committee. The outcome of this project was identification of areas where CWIP processes and controls are not as strong as they should be. A formal remediation plan has been developed to address these control deficiencies identified. Management will report regularly to the Audit Committee with respect to their progress over the course of 2023. Strategic spares resulted in a restatement of previously reported results as detailed in note 10 of the financial statements.

The Committee satisfied itself that apart from strategic spares which necessitated a prior year restatement, that the CWIP deficiency had no material effect for the purposes of the preparation and presentation of the financial statements for the year under review and believe that Hulamin's internal controls can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements.

The Committee has received assurance from the General Manager: Group Financial Reporting on the work performed in the financial year under review to support the Chief Executive Officer and Chief Financial Officer sign off on internal controls, as required by section 3.84(k) of the JSE Listings Requirements. This section requires a statement by the Chief Executive Officer and Chief Financial Officer, confirming that internal financial controls are in place to ensure that material information has been provided to effectively prepare the financial statements. Furthermore, confirmation is to be given that the internal financial controls are adequate, effective, and can be relied upon in compiling the Annual Financial Statements, and if not, that the deficiencies in the design and operational effectiveness of the internal financial controls have been disclosed to the Committee and the external auditors, and that the necessary remedial action has been taken.

The Committee is of the view, based on the representations made by the Chief Executive Officer and the Chief Financial Officer, as well as the other related processes mentioned, that the internal financial controls in place for the Group were adequate and effective during the period under review.

Key audit matter

The following key audit matter were considered by the Audit Committee in relation to these Annual Financial Statements:

Matter	Outcome
Property, plant and equipment	The group continued with its ongoing assessment of financial internal controls in 2022 which included an assessment of the existing accounting practices and policies. The group identified an error in its classification of certain items of strategic spares as Inventory instead of Property, Plant & Equipment. Accordingly, the group corrected this error by reclassifying the identified items of Strategic Spares from Inventory (IAS 2) to Property, plant and equipment in accordance with IAS16.

Report of the Audit Committee continued

Group scoping for external audit purposes

The scope of EY's audit for the financial year under review took into consideration the structure of the Group, the respective accounting processes and controls and the industry in which Hulamin operates. The assessment included consideration of financially significant components, based on indicators such as their contribution to Group assets, revenue and profit before tax.

The Audit Committee has reviewed the audit scoping by EY and satisfied itself that the scope provides the reasonable assurance required that all material components of the group were subjected to external audit inspection.

Going concern

The Committee has, for the year under review, considered the documented assessment by management of the going concern premise of the Group and has, following this consideration and the combined assurance obtained, recommended to the Board that the Group is a going concern and will remain so for the foreseeable future. As part of this going concern assessment, the Board considered the potential implications of the impact of an increasing LME price in order to determine that it will not have a significant adverse effect on Hulamin's business. This and other potential implications as outlined in note 1.9 of the financial statements will be assessed on a continuing basis.

Recommendation of the Annual Financial Statements for approval by the Board

At its meeting held on 2 March 2023, the Audit Committee reviewed and recommended the Annual Financial Statements for approval by the Board of Directors.

The Audit Committee is satisfied that, for the year under review, it has complied with its statutory responsibilities and the responsibilities assigned to it by the Board.

Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
2 March 2023

Independent Auditor's Report

To the shareholders of Hulamin Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Hulamin Limited (the "Company") and its subsidiaries ('the Group') set out on pages 55 to 109, which comprise of the consolidated and separate statements of financial position as at 31 December 2022, and the consolidated and separate statements of profit or loss and other comprehensive income , the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2022, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

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

Key audit matters

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

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

The Key Audit Matter applies only to the audit of the consolidated financial statements.

Independent Auditor's Report continued

Key Audit Matter	How our audit addressed the key audit matter
Impairment assessment of the Hulamin Rolled Products cash generating unit (CGU)	
IAS 36 Impairment of assets requires an impairment test of non-financial assets to be performed when there are indicators that these may be impaired. The Group's market capitalization was below its net asset value as at 31 December 2022, indicating that the carrying value of the Group's assets may be impaired. Management performed the impairment assessment using the discounted cash flow (DCF) valuation model to determine the recoverable amount of the rolled products CGU. The determination of the recoverable amounts involves significant judgments made by management about the inputs in the DCF. We considered the impairment test management performed of the rolled products CGU to be a key audit matter that required significant audit attention due to the size of the balances and due to the complexity, estimation and sensitivity of the following inputs to the DCF: • the discount rate. • the forecast USD/ZAR foreign currency exchange rate. • the forecast metal prices, • the forecast sales volume and sales mix. • the forecast rolling margins, considering current and anticipated changes in the market conditions and product mix; and • the forecast operating costs including the inflation rate. The discount rate determined by management is based on capital asset pricing model which includes inputs that are subjective. The volatility of the global economic environment has had a significant impact on the assumptions listed above, and more specifically reduced our ability to rely on historical trends and required additional audit effort to assess the assumptions made about the future outlook in the macro-economic environment as well as requiring the use of our valuation specialists. Management's disclosure on impairment consideration is detailed in *Note 2.4.4 Impairment of Non-financial assets* of the Annual Financial Statements.	Our audit procedures for the impairment assessment of the Hulamin Rolled Products CGU amongst others, included: • We evaluated management's assessment of the presence of indicators of impairment against the applicable requirements of IAS 36 *Impairment of assets.* • With the support of our internal valuation specialists, we assessed the methodology applied by management in determining the recoverable amount of the CGU against acceptable industry methods and accounting standards. • We involved our internal valuation specialists to evaluate the reasonableness of the market data inputs including the forecasted exchange rates, metal prices, and inflation rates by comparing the market data inputs to independently sourced forward-looking external market data based on our knowledge of the industry; we further evaluated the reasonableness of the methodology used by management in forecasting the exchange rates beyond a two-year period premium. • We involved our internal valuation specialists to assess the reasonability of the discount rate applied by agreeing the base rate to external sources, evaluating the market risk premium applied by management to the base rate and recalculating the discount rate. • With regards to the forecast revenue volumes, sales mix, rolling margins and operating costs: – We compared the forecast sales volumes, sales mix and operating costs to historical actuals and management's plans with regards to the board approved business. – We agreed the assumptions used in managements forecasts for sales volumes, sales mix, estimated demand and production capacity to the terms and conditions of open customer contracts. • We independently performed sensitivity analyses over the impact of changes in the salient inputs into the DCF model which includes the discount rate, the exchange rate, and the rolling margins. • We tested the mathematical accuracy of the discounted cash flow valuation. • We assessed the adequacy of disclosures of the disclosures made in the Annual Financial Statements in accordance with IAS 36 - *Impairment of assets.*

Other information

The directors are responsible for the other information. The other information comprises the information included on pages 49 to 53 document titled "Hulamin Limited Annual Financial Statements for the year ended 31 December 2022", which includes the Directors' Statement of Responsibility and Approval of the Annual Financial Statements, Directors' Statutory Report, the CEO and CFO's Responsibility Statement, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or separate financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 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 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 ISA's, 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 and company's internal control.

Independent Auditor's Report continued

- 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 and 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 the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the group 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, actions taken to eliminate threats or safeguards applied.

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. There are no key matters which have not been disclosed.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Hulamin Limited for 5 years.

Ernst & Young Inc.

Ernst & Young Inc.

Director: Sifiso Sithebe
Registered Auditor
Chartered Accountant (SA)

6 March 2023
Durban

Consolidated statement of financial position

as at 31 December 2022

	Notes	2022 R'000	Restated* 2021 R'000	Restated* 2020 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5.1	**1 036 601**	906 770	825 058
Right-of-use assets	5.2	**51 864**	37 476	44 550
Intangible assets	5.3	**33 251**	34 875	33 162
Retirement benefit asset	8.2 (c)	**49 365**	47 313	63 084
Deferred tax asset	9.2	**106 109**	129 586	15 449
Investment in insurance arrangement	5.4(c)	**5 802**	–	–
Other assets	5.4(b)	**33 926**	32 150	8 482
Investments accounted for using the equity method	6.1(d)	**71 582**	74 980	58 635
		1 388 500	1 263 150	1 048 420
Current assets				
Inventories	4.2	**3 439 403**	3 016 097	2 279 899
Trade and other receivables	4.3 (b)	**1 409 270**	1 442 901	1 097 335
Derivative financial assets	7.1 (d)	**3 107**	9 791	7 708
Cash and cash equivalents	4.1	**81 294**	149 474	38 045
Other assets		**–**	–	4 523
Income tax asset		**–**	102	12 873
		4 933 074	4 618 365	3 440 383
Non-current assets classified as held for sale		**–**	–	14 250
Total assets		**6 321 574**	5 881 515	4 503 053
EQUITY				
Stated capital and consolidated shares	3.4	**1 817 627**	1 817 627	1 817 627
Treasury shares	3.4	**(35 863)**	(35 863)	(35 863)
BEE reserve	8.1	**32 471**	28 547	24 576
Employee share-based payment reserve	8.1	**38 598**	48 170	57 321
Hedging reserve	7.5	**–**	(4 217)	1 724
Retained Earnings		**1 380 228**	1 068 611	461 093
Total equity		**3 233 061**	2 922 875	2 326 478
LIABILITIES				
Non-current liabilities				
Lease liabilities	3.2	**46 715**	41 456	47 251
Deferred tax liability	9.2	**1 474**	902	2 070
Retirement benefit obligations	8.2	**206 956**	205 931	202 899
		255 145	248 289	252 220
Current Liabilities				
Trade and other payables	4.4	**1 814 962**	1 892 276	1 114 788
Current borrowings	3.1	**916 839**	800 076	789 053
Lease liabilities	3.2	**15 379**	11 467	20 514
Income tax liability	9.3	**84 122**	5 837	–
Derivative financial liabilities	7.1 (d)	**2 066**	695	–
		2 833 368	2 710 351	1 924 355
Total liabilities		**3 088 513**	2 958 640	2 176 575
Total equity and liabilities		**6 321 574**	5 881 515	4 503 053

*Note 10 provides details with respect to the prior year restatement.

Consolidated statement of profit or loss

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Revenue from contracts with customers	2.3	**15 930 269**	13 014 883
Cost of goods sold	2.4.1	**(13 939 931)**	(11 328 626)
Cost of services provided	2.4.1	**(102 198)**	(48 889)
Gross profit		**1 888 140**	1 637 368
Selling, marketing and distribution expenses	2.4.1	**(807 077)**	(653 478)
Administrative and other expenses	2.4.1; 2.4.5	**(547 556)**	(527 959)
Impairment of loans in joint ventures reversed/(raised)	6.1(d)	**–**	14 932
Impairment losses reversed/(raised) on financial assets	4.3(c)	**736**	4 430
Gains/(losses) on financial instruments related to trading activities	2.4.2	**(862)**	22 005
Other gains/(losses)	2.4.3	**(3 330)**	40 704
Operating profit		**530 051**	538 002
Interest income	9.1	**10 755**	9 356
Interest expense	9.1	**(102 211)**	(64 825)
Profit before share of joint venture profits		**438 595**	482 533
Share of net profit/(loss) of joint ventures accounted for using the equity method	6.1(d)	**1 192**	(2 258)
Profit before tax		**439 787**	480 275
Taxation	9.3	**(140 077)**	110 985
Net profit for the year attributable to equity holders of the company		**299 710**	591 260
Basic earnings/(loss) per share	(cents) 2.2	**97**	192
Diluted earnings/(loss) per share	(cents) 2.2	**91**	180

Consolidated statement of comprehensive income

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Net profit for the year attributable to equity holders of the company		**299 710**	591 260
Other comprehensive income/(loss) for the year		**9 174**	(3 567)
Items that may be reclassified subsequently to profit or loss:		**4 217**	(5 941)
Cash flow hedges transferred to the statement of profit or (loss)	7.5 (iii)	**25 673**	(34 354)
Cash flow hedges remeasured	7.5	**(19 815)**	32 430
Cost of hedging	7.5	**–**	(6 328)
Income tax relating to these items		**(1 641)**	2 311
Items that will not be reclassified to profit or loss:		**4 957**	2 374
Remeasurements of retirement benefit obligations	8.2(d),(e)	**6 885**	3 956
Remeasurements of retirement benefit asset	8.2(c)	**–**	(41)
Income tax relating to these items		**(1 928)**	(1 541)
Total comprehensive profit for the year attributable to equity holders of the company		**308 884**	587 693

Consolidated cash flow statement

for the year ended 31 December 2022

	Notes	2022 R'000	Restated* 2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**198 430**	293 933
Interest paid		**(100 915)**	(68 382)
Interest received		**3 682**	3 763
Income taxes refund/(paid)	9.3	**(41 017)**	15 232
Net cash inflow from operating activities		**60 180**	244 546
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	**(222 329)**	(147 619)
Additions to intangible assets	5.3	**(8 824)**	(12 599)
Proceeds on disposal of property, plant and equipment		**–**	55 000
Proceeds from repayments of loan granted to investment accounted for using equity method		**8 230**	1 893
Net cash outflow from investing activities		**(222 923)**	(103 325)
Cash flows before financing activities ("free cash flow")		**(162 743)**	141 221
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from current borrowings	3.1	**116 763**	11 023
Payment of principal portion of lease liabilities	3.2	**(16 587)**	(15 352)
Payment of customs deposits		**–**	(32 150)
Net cash inflow/(outflow) from financing activities		**100 176**	(36 479)
Net (decrease)/increase in cash and cash equivalents		**(62 567)**	104 742
Cash and cash equivalents at beginning of year	4.1	**149 474**	38 045
Effects of exchange rate changes on cash and cash equivalents	2.4.2	**(5 613)**	6 687
Cash and cash equivalents at end of year	4.1	**81 294**	149 474

* Note 10 provides details with respect to the prior year restatement

Notes to the consolidated cash flow statement

for the year ended 31 December 2022

	Notes	2022 R'000	Restated 2021 R'000
A Cash generated from operations			
Profit before tax		**439 787**	480 275
Net interest cost		**91 456**	55 469
Profit before tax after interest		**531 243**	535 744
Adjusted for non-cash flow items:			
Depreciation of property, plant and equipment	5.1	**79 948**	68 131
Depreciation of right-of-use assets	5.2	**12 193**	7 585
Amortisation of intangible assets	5.3	**10 448**	10 884
Impairment of financial assets		**(736)**	(4 430)
(Reversal of impairment)/impairment of loans to joint ventures		**–**	(14 932)
(Profit)/loss on disposal of property, plant and equipment	2.4.3	**7 749**	(39 505)
Share of net (loss)/profit of Joint Ventures accounted for using the equity method	6.1(d)	**(1 192)**	2 258
Net movement in retirement benefit asset and obligations	8.2	**5 858**	22 718
Value of employee services received under share schemes	2.4.1(a)	**6 503**	8 703
Foreign exchange profit/(losses) on cash and cash equivalents	2.4.2	**5 613**	(6 687)
Currency exchange translation on foreign debtors and creditors		**(5 173)**	(8 062)
Fair value adjustment on investment in insurance arrangement	5.4	**(3 757)**	–
Other non-cash items		**1 489**	(3 086)
Cash generated before working capital changes		**650 186**	579 321
Changes in working capital	B	**(451 756)**	(285 388)
Cash generated from operations		**198 430**	293 933
B Changes in working capital			
(Increase) in inventories		**(423 305)**	(736 195)
Decrease/(Increase) in trade and other receivables		**38 615**	(324 424)
Decrease in derivatives		**13 912**	6 864
(Decrease)/Increase in trade and other payables		**(80 978)**	768 367
		(451 756)	(285 388)

Consolidated statement of changes in equity

for the year ended 31 December 2022

Note	Stated capital and consolidated shares A R'000	Treasury shares B R'000	Hedging reserve C R'000	Employee share-based payment reserve D R'000	BEE reserve E R'000	Retained earnings F R'000	Total equity R'000
Balance at 31 December 2020	1 817 627	(35 863)	1 724	57 321	24 576	461 093	2 326 478
Net profit for the year	–	-	-	-	-	591 260	591 260
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	–	–	(5 941)	–	–	–	(5 941)
– retirement benefit assets and obligations	–	–	–	–	–	2 374	2 374
Equity settled share-based payment schemes:							–
– Value of employee services (note 2.4.1)	–	–	–	4 733	3 971	–	8 704
– Settlement and forfeiture of employee share incentives	–	–	–	(13 884)	–	13 884	–
Balance at 31 December 2021	**1 817 627**	**(35 863)**	**(4 217)**	**48 170**	**28 547**	**1 068 611**	**2 922 875**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**299 710**	**300 150**
Other comprehensive income net of tax:							
– cash flow hedges	**–**	**–**	**4 217**	**–**	**–**	**–**	**4 217**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**4 957**	**4 957**
Equity settled share-based payment schemes:							
– Value of employee services (note 2.4.1)	**–**	**–**	**–**	**2 579**	**3 924**	**–**	**6 503**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(12 151)**	**–**	**6 950**	**(5 201)**
Balance at 31 December 2022	**1 817 627**	**(35 863)**	**(0)**	**38 598**	**32 471**	**1 380 228**	**3 233 061**

* Note 10 provides details with respect to the prior year restatement

Notes to the statement of changes in equity

for the year ended 31 December 2022

A Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidation shares represent shares held under various BEE transactions. Further information of the group's stated capital and consolidation shares is presented in note 3.4.

B Treasury shares

Shares in the company held by wholly-owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains and losses are recognised in the group statement of profit or loss or the statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. During the year the group did not purchase any shares (2021: Nil shares).

C Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to revenue as part of the hedging relationship or reclassified to profit or loss as appropriate. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. Further analysis of the reserve is presented in note 7.5.

D Employee share-based payments reserve

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

E BEE reserve

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

F Retained earnings

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

Notes to the consolidated financial statements

for the year ended 31 December 2022

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. General

1.1 Basis of preparation

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

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

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

The consolidated financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.9).

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

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

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

1.2 New accounting standards

(a) New and revised standards and interpretations in issue and not yet effective which are applicable to the group

Pronouncement	Effective date	Impact
Classification of liabilities as Current or Non-current – Amendments to IAS 1	Effective date is the 1 January 2024	**Amendments** to IAS 1 'Presentation of Financial Statements 'to specify the requirements for classifying liabilities, subject to covenants, as current or non–current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period contingent on compliance with future covenants within twelve months • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification • Disclosures requirements for liabilities arising from loan agreements that are classified as non-current Hulamin does not expect this to have a material impact on the group financial statements.
A number of narrow-scope amendments to IAS 12, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	IAS 8 and IAS 12 amendments are effective for annual periods beginning on or after January 2023	**Amendments** to IAS 12, 'Income Taxes' which narrows the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences. **Amendments** to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the assets for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. **Amendments** to IAS 37, 'Provisions, contingent liabilities, contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual **improvements** make minor amendments to IFRS 1, 'First-time adoption of IFRS', IFRS 9, 'Financial Instruments', IAS 41, 'Agriculture' and Illustrative Examples accompanying IFRS 16, 'Leases'. Hulamin does not expect these amendments to have a material impact on the group financial statements.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. **General** continued

1.2 New accounting standards continued

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

Pronouncement	Effective date	Impact
A number of narrow-scope amendments to IFRS 3, IFRS 9, IAS 16, IAS 37	Effective for annual periods beginning on or after January 2022	**Amendments** to IFRS 3, 'Conceptual Framework', intended to replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version without significantly changing its requirements. **Amendments** to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the assets for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. **Amendments** to IAS 37, 'Provisions' apply a 'directly related cost approach'. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. **Amendments** to IFRS 9, 'Financial instruments' specifies that the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Hulamin believes that the standards that became effective during the year did not have a material impact to the group financial statements.

1.3 Fair value measurement

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

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

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

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

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

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Impairment of non-financial assets (note 2.4.4)
- Investment in insurance arrangement (note 5.4)
- Derivative assets and liabilities (note 7.1)

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. General continued

1.4 Accounting for assets and liabilities

(i) Recognition

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

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

(ii) Derecognition

Financial assets, or parts thereof, are derecognised when the contractual rights to receive the cash flows have expired, been transferred and/or control has passed.

All other assets are derecognised on disposal or when they no longer meet the definition of an "asset" as prescribed by the Framework. Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price as disclosed in note 2.3 Revenue from contracts with customers.

Initial recognition and measurement

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables, long-term deposit and cash and cash equivalent.

Financial assets at fair value through profit or loss are subsequently measured fair values at valuation and the associated gains and losses are taken to profit or loss. Financial assets at fair value through OCI are subsequent measured fair values at valuation and the associated gains and losses are taken to OCI.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset, or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss, or
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the group. After initial recognition, interest- bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The accounting policy on derivatives is detailed in note 7.1.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. **General** continued

1.6 Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Methods of depreciation, useful lives and residual values of assets

Items of property, plant and equipment are depreciated over their useful lives taking into account residual values. The estimated useful lives and residual values are assessed annually taking into account technological innovation, product life cycles, maintenance programmes and projected disposal values. Refer note 5.1 and 5.3.

(ii) Post-retirement benefit obligations

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

Management experts are used to assist with valuations of post-employment benefit obligations. Refer note 8.2.

(iii) Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 8.1 of the group financial statements. Management experts are used to determine the grant date fair value of options granted. Management assesses the likelihood of achieving non-market performance measures based on approved budgets and the five-year business plan.

(iv) Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 5.1 and 5.2 of the group financial statements were estimated at period end in terms of IAS 36.

The critical estimates and assumptions used in the recoverable amount calculations in respect of the assets of the group are disclosed in note 2.4.4 of the group financial statements. Forward-looking financial information is based on board-approved business plans.

(v) Investment in Isizinda Aluminium (Pty) Ltd ("Isizinda")

The group holds a 38.7% (2021: 38.7%) interest in Isizinda. Management have determined that the investment in Isizinda does not represents control in terms of the requirements of IFRS 10.

The significant judgements applied in determining whether Hulamin has control or joint control over Isizinda were determined with reference to Isizinda's relevant activities and which parties could direct those activities as outlined in the memorandum of incorporation and the shareholders agreement. The relevant activities are those that significantly impact the economic performance or returns over Isizinda.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations Proprietary Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method. For more detail on the investment in joint venture refer note 6.1 (d).

(vi) Determining the lease term of contracts with renewal and termination options

The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The group included the renewal period as part of the lease term for leases of buildings. The group typically exercises its option to renew for these leases because these buildings are required for staff occupation. For more details on leases refer notes 3.2 and 5.2.

(vii) Taxes

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on the recognised and unrecognised portion of the deferred tax is disclosed in note 9.2.

(viii) Leases – Estimating the incremental borrowing rate

The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group has used its incremental borrowing rate with reference to the revolving loan facility. Refer note 3.2.

(ix) Provision for expected credit losses of trade receivables

The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. When forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year this can lead to an increased number of defaults in the manufacturing sector, and the historical default rates will be adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer note 4.3(c).

(x) Revenue recognition – Estimating variable consideration for returns and volume rebates

The group estimates variable considerations to be included in the transaction price for the sale of goods with volume rebates. Refer to note 2.3.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. General continued

1.7 Foreign currencies

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

1.8 Contingent liabilities

The group has no contingent liabilities as at 31 December 2022 (2021: Rnil).

1.9 Going concern

The financial statements of the Hulamin Group for the year ended 31 December 2022 have been prepared on the going concern basis.

The going concern assessment was carried out for the period 31 December 2022 up to 7 March 2024. The group are of the opinion that it has adequate resources to continue in operation for the foreseeable future based the following factors considered in reaching the conclusion:

- Hulamin's 2022 financial performance and position as documented in detail throughout these financial statements
- Trading conditions in 2023 and outlook
- Liquidity and access to funding facilities
- Indicators of uncertainty
- Scenarios and forecasts
- Litigation and claims

(a) 2022 financial performance and position

The Group's performance and position has been summarised in the table below:

		2022	Restated 2021
Earnings			
Operating profit before interest and tax	R'000	**530 051**	538 002
Net profit	R'000	**299 710**	591 260
Earnings per share (Basic)	cents	**97**	192
Headline earnings per share (Basic)	cents	**99**	182
Normalised EBITDA	R'000	**667 231**	152 345
Cash flow and financial position			
Cash flow from operating activities	R'000	**60 180**	244 546
Cash flow before financing activities ("free cash flow")*	R'000	**(162 743)**	141 221
Net debt	R'000	**897 639**	703 524
Equity	R'000	**3 233 061**	2 922 875
Net debt/equity ratio (note 7.4)	%	**27.8**	24.1
Net current assets	R'000	**2 099 706**	1 908 014
Current ratio	times	**1.7**	1.7

** Refer the cash flow statement.*

Profit and earnings performance

Hulamin Rolled Products

The year started with the LME Aluminium price at $2 815 per ton, reaching a high of $3 850 per ton and closing at $2 396 per ton on 30 June 2022. The higher LME Aluminium price in the first 6 months of the year placed pressure on working capital and "free" cash flows in the first six months of the reporting period.

This cash flow pressure was ably navigated by management together with the support of Hulamin's lenders, suppliers and customers. Other challenging trading condition further arose from:

- The global impact of the war in the Ukraine on shipping rates, commodity prices and general inflation on Hulamin's production costs, Hulamin has managed to mitigate these by optimising on product sales mix and negotiating pricing to mitigate these cost increases in order to maintain margins as evidenced by improved normalised earnings performance.
- The group experience heavy load shedding in 2022 with resultant power interruptions requiring higher number of plant load reduction. Increased load shedding is expected to continue into 2023. The group has adopted risk mitigation through investment in diesel- operated generators to help reduce the plant load curtailment.

Other challenging trading condition further arose from:

- In the last quarter of 2022 Transnet Port terminals declared force majeure in the wake of protest action, of which impact export sales. This risk was however mitigated by the existing local demand for canstock.
- Hulamin Richards Bay Casthouse liquid metal deliveries were impacted by the increase traffic to the Richards Bay Coal Terminal due to increased export demand, this overall affected HRB casthouse output.

Hulamin Operations continued to benefit from a 15% import duty on rolled aluminium products would be imposed from January 2021. This contributed towards an increase in demand for local products in 2022. This is expected to continue in 2023.

Hulamin Extrusions

The strong market performance from 2021 carried into 2022. However, by mid-year there was a downward pressure on volumes as a result of the KZN floods in April, and the reduction in customer volumes as a result of the end their Automotive Sector contracts. These customers are expected to return to "normal" volumes in 2023 as a result of alternative contracts being concluded in the Automotive sector to the benefit of those customers.

Despite these challenges Extrusions returned to strong volumes which have been carried through into the five-year business plan, and the increased certainty thereof is reflected in the discount rate.

Liquidity and solvency

The group's net borrowings were R836 million (2021: R651 million) and net debt was R897.6 million (2021: R703.5 million) at 31 December 2022. This represents a net debt to equity ratio of 28% (2021: 24%). The current ratio was 2.08 times while the debt to equity bank covenant as defined was 0.35 times.

(b) Trading conditions in 2023 and outlook

The trading conditions and outlook for 2023 are as follows:

Domestic market

Strong local demand for aluminium rolled products has continued through 2022. For 2023 demand is expected to remain robust in most product categories, except automotive heat exchanger material where demand is expected to remain muted because of ongoing silicon chip shortages amongst automotive manufacturers.

International market

Hulamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of distributor products referred to as common alloy. Global demand for aluminium rolled products has increased substantially during 2022 and looks set to continue through 2023 and beyond.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

1. General continued

1.9 Going concern continued

(c) Liquidity and funding

As at 31 December 2022, Hulamin's banking facilities of R1.9 billion comprise a committed working capital facility of R1.5 billion and a general banking facility ("GBF") of R400 million. The GBF is comprised of direct facilities of R250 million and indirect facilities (letters of credit and guarantee) of R150 million. This maturity date of the committed working capital facility was extended by three years to December 2026. In January 2023 Hulamin secured an additional GBF of R150 million increasing direct facilities to R1.9 billion.

The utilisation of the working capital facility is restricted by the underlying eligible inventory and receivables.

As noted above, Hulamin closed 2022 with a strong balance sheet, with net debt of R897.6 million and a net debt to equity ratio of 28% and headroom with respect to its financial covenants and in relation to its direct borrowing facilities of R836 million.

Hulamin put the following measures in place to improve the Group's liquidity position:

- Increased direct borrowing facilities from R1.4 billion to R1.9 billion
- Extended the maturity date of the committed working capital facility by three years
- Increased the number of participating banks to four
- Increased the debt to equity financial covenant from less than 0.50 times to 0.60 times
- The required level of the current ratio is >1.25 times
- The required level of the debt to equity ratio is <0.60 times

(d) Indicators of uncertainty

The continuing armed conflict in Eastern Europe besides adding to pre-existing energy shortages, has resulted increases in the in the US Dollar price of aluminium in the first 2 months 2023. The group has adequate funding facilities in place to ensure it is able to meet its liabilities as they fall due.

The group continuously manages its liquidity by ongoing modelling of scenarios and their implications for net debt relative to borrowing facilities and loan covenants. This is combined with regular engagement with funders, to ensure adequate facilities are available, and with suppliers and customers to ensure that payment terms and credit limits are appropriate.

(e) Scenarios and forecasts

Management considered various scenarios through to the end of 2022, which assessed the impact of a moving aluminium price and moving ZAR/USD exchange rate on Hulamin's liquidity.

Management is forecasting a stable 2023 from an LME point of view and there is sufficient facilities available at R1.9 billion to navigate similar levels of LME experienced during the 2022 financial period.

(f) Litigation and claims

The company is not engaged in any significant legal action nor has it any material contingent liabilities which could have bearing on the ability to continue operations in the forecast period.

2. Performance: measures used to assess performance

2.1 Reportable segment analysis

(a) Accounting policies and significant judgements

Description of segments and principal activities

The group's reportable segments have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and are predominantly based on business segment hierarchy which is representative of the internal reporting used for management purposes.

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions.

The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products.

The Hulamin Extrusions segment manufactures and supplies extruded aluminium products.

All segment revenue and expenses are directly attributable to the segments. Segment assets include all operating assets used by a segment, as well as current assets. Segment liabilities include all operating liabilities. These assets and liabilities are all directly attributable to the segments. Transactions between segments are carried out at arm's length and are eliminated on consolidation. Transactions which represent the sale of a particular segment's finished goods to another segment do not occur and as such no inter-segment revenue is earned.

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued

2.1 Reportable segment analysis continued

(b) Segmental revenue, earnings and other disclosures

	2022			2021 Restated		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	**Hulamin Rolled Products R'000**	**Hulamin Extrusions R'000**	**Group R'000**
Revenue from contracts with customers: External	**15 100 262**	**830 007**	**15 930 269**	12 297 688	717 195	13 014 883
Timing of revenue recognition:						
– At a point in time	**14 998 119**	**830 007**	**15 828 126**	12 248 800	717 195	12 965 995
– Over time	**102 143**	**–**	**102 143**	48 889	–	48 889
Revenue by product market	**15 100 262**	**830 007**	**15 930 269**	12 297 688	717 195	13 014 883
Automotive and transport	**1 082 258**	**179 770**	**1 262 028**	899 288	193 948	1 093 236
Building and construction	**119 444**	**581 783**	**701 227**	125 682	66 142	191 824
General engineering	**5 588 398**	**68 454**	**5 656 852**	4 579 137	457 105	5 036 242
Packaging	**8 312 865**	**–**	**8 312 865**	6 667 143	–	6 667 143
Other	**(2703)**	**–**	**(2 703)**	26 438	–	26 438
Earnings						
EBITDA**	**631 946**	**694**	**632 640**	539 523	85 079	624 602
Depreciation and amortisation	**(90 434)**	**(12 155)**	**(102 589)**	(79 574)	(7 026)	(86 600)
Operating profit/(loss)	**541 512**	**(11 461)**	**530 051**	459 949	78 053	538 002
Interest income	**10 755**	**-**	**10 755**	9 356	–	9 356
Interest expense	(89 018)	(13 193)	(102 211)	(57 557)	(7 268)	(64 825)
Profit/(loss) before share of joint venture	**463 249**	**(24 654)**	**438 595**	411 748	70 785	482 533
Share of net (profit)/loss of joint ventures	**1 192**	**–**	**1 192**	(2 258)	–	(2 258)
Profit/(loss) before tax	**464 441**	**(24 654)**	**439 787**	409 490	70 785	480 275
Taxation	**(138 424)**	**(1 653)**	**(140 077)**	88 321	22 664	110 985
Net profit/(loss) for the year	**326 017**	**(26 307)**	**299 710**	497 811	93 449	591 260
Reconciliation of net profit/(loss)						
Net profit/(loss) for the year	**326 017**	**(26 307)**	**299 710**	497 811	93 449	591 260
(Profit)/loss on disposal of property, plant and equipment	**7 749**	**–**	**7 749**	1 311	(40 816)	(39 505)
Proportional share of profit on disposal of property, plant and equipment by Joint venture	**–**	**–**	**–**	(2 734)	–	(2 734)
Tax effect	**(2 170)**	**–**	**(2 170)**	(367)	11 428	11 061
Headline earnings/(loss) for the year	**331 596**	**(26 307)**	**305 289**	496 021	64 061	560 082

	2022			2021 Restated		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	**Hulamin Rolled Products R'000**	**Hulamin Extrusions R'000**	**Group R'000**
Reconciliation of headline earnings/(loss) to normalised EBITDA**						
Headline earnings/(loss) for the year	**331 596**	**(26 307)**	**305 289**	496 021	64 061	560 082
Restructuring costs	**–**	**–**	**–**	(1 385)	(446)	(1 831)
Metal price lag	25 670	–	25 670	(425 927)	–	(425 927)
Tax effect	(7 188)	–	(7 188)	119 647	125	119 772
Normalised headline earnings/(loss) A)	**350 078**	**(26 307)**	**323 771**	188 356	63 740	252 096
Interest expense	**89 018**	**13 193**	**102 211**	57 557	7 268	64 825
Interest income	**(10 755)**	**–**	**(10 755)**	(9 356)	–	(9 356)
Taxation	**147 762**	**1 653**	**149 415**	(207 601)	(34 217)	(241 818)
Normalised EBIT* (note A)	**576 103**	**(11 461)**	**564 642**	28 956	36 791	65 747
Depreciation and amortisation	**90 434**	**12 155**	**102 589**	79 574	7 026	86 600
Normalised EBITDA (note A)**	**666 537**	**694**	**667 231**	108 530	43 817	152 347
Total assets	**6 084 325**	**237 249**	**6 321 574**	5 602 716	278 799	5 881 515
Total liabilities	**2 986 195**	**102 318**	**3 088 513**	2 840 337	118 303	2 958 640

* *Earnings before interest and taxation*

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

	2022			2021		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	**Hulamin Rolled Products R'000**	**Hulamin Extrusions R'000**	**Group R'000**
Other disclosures						
Additions to property, plant and equipment and intangible assets	**208 074**	**23 078**	**231 152**	138 564	21 651	160 215
Currency conversion						
Rand/US dollar average			**16.38**			14.79
Rand/US dollar closing			**16.96**			15.90

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

Sales to the largest ten customers of the Hulamin Rolled Products segment accounts for 64% (2021: ten largest constituted 63%) of total group revenue.

Note 2.3 provides the geographic breakdown of the Group's revenue.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued

2.1 Reportable segment analysis continued

(b) Segmental revenue, earnings and other disclosures continued

A: Normalised EBIT, normalised EBITDA, headline earnings and normalised headline earnings

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 1/2021 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, normalised EBITDA and normalised headline earnings per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2021 annual financial statements.

Normalised headline earnings per share is calculated by dividing normalised headline earnings by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings is defined as headline earnings excluding (i) metal price lag and

(ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the group. Normalised EBIT and EBITDA are similarly derived.

The presentation of normalised EBIT, normalised EBITDA, headline earnings per share and normalised headline earnings per share is not an IFRS requirement and these may not be directly comparable with the same or similar measures disclosed by other companies.

2.2 Earnings per share

Earnings per share, headline earnings per share and normalised headline earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares are treated as dilutive when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

Weighted average number of shares

The weighted average number of shares used in the calculation of basic and diluted earnings per share, headline earnings per share and normalised earnings per share is as follows:

	2022 Number of shares	2021 Number of shares
Weighted average number of shares used for basic EPS*	**308 496 091**	308 496 091
Share options	**19 611 671**	19 084 418
Weighted average number of shares used for diluted EPS**	**328 107 762**	327 580 509

* *The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.*
** *In 2022 19 611 671 potential ordinary shares were dilutive (2021: 19 084 418 potential ordinary shares were dilutive).*

Reconciliation of net profit/(loss) (used in calculating earnings per share) for the year to headline earnings/(loss)

		2022 Gross R'000	2022 Net of tax R'000	2021 Gross R'000	2021 Net of tax R'000
Net profit/(loss) for the year		**–**	**299 710**	–	591 260
Adjustments		**7 749**	**5 579**	(42 239)	(31 178)
– Proportional share of profit on disposal of property, plant and equipment by Joint venture		**–**	**–**	(2 734)	(2 734)
– Loss/(Profit)on disposal of property, plant and equipment		**7 749**	**5 579**	(39 505)	(28 444)
Headline earnings			**305 289**		560 082
Earnings per share					
Basic	(cents)		**97**		192
Diluted	(cents)		**91**		180
Headline earnings per share					
Basic	(cents)		**99**		182
Diluted	(cents)		**93**		171
Normalised headline earnings per share					
Basic	(cents)		**105**		82
Diluted	(cents)		**99**		77

Information concerning the classification of securities

(i) Options

Options granted to employees under the various Hulamin group schemes as presented in note 8.1 are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance condition would have been met based on the company's performance up to the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share.

46 334 405 (2021: 35 773 733) options were not included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2022. These options could potentially dilute basic earnings per share in the future.

(ii) Bonus shares

Rights to deferred shares granted to senior management under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share. The total bonus shares options included as being dilutive amounted to 2 395 696 (2021: 619 958).

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued

2.3 Revenue from contracts with customers

(a) Accounting policies and significant judgements

(i) Sale of goods

Revenue from contracts with customers of the group comprises revenue from the sale of fabricated and semi-fabricated aluminium products.

Sales are recognised when control of the products has transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the guidance provided under International Chamber of Commerce Terms of Trade, where applicable. This is typically when the goods are handed to the carrier nominated by Hulamin.

As assessment of the concept of "control" as defined in IFRS15 and "risk" as defined in the Inco terms was performed and the point at which "risk" passes from Hulamin is the same point at which "control" is transferred.

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts. Note 1.6(xii) provides insights into variable considerations included in revenue.

If the consideration in a contract or sale of goods includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability (included in trade and other payables) for the expected future rebates.

(ii) Transportation services

Certain International Chamber of Commerce Terms of Trade used include multiple deliverables such as the sale of goods and the provision of transportation services. For some of these specific terms, control of the goods sold passes before the transportation service has been provided. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the customer receives and uses the benefit simultaneously. This is determined based on the actual shipping days incurred relative to the standard time to ship to the specified destination. Where revenue is earned on multiple performance obligations the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

(iii) Time value of money

The group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the group has applied the practical expedient provided in IFRS 15.63 and does not adjust any of the transaction prices for the time value of money.

(b) Disaggregation of revenue from contracts with customers

Revenue has been disaggregated into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. The group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region.

	2022 R'000	2021 R'000
Analysis of revenue by product market:		
Automotive and transport	**1 262 028**	1 093 236
Building and construction	**701 227**	191 824
General engineering	**5 656 852**	5 036 242
Packaging	**8 312 865**	6 667 143
Other*	**(2 703)**	26 438
	15 930 269	13 014 883
Geographical analysis of revenue:		
South Africa	**7 873 749**	6 040 616
North America	**3 862 281**	2 730 193
Europe	**3 485 092**	3 308 491
Asia	**187 024**	141 217
Middle East	**30 453**	160 747
Australasia	**350 754**	365 469
South America	**86 305**	59 446
Rest of Africa	**54 611**	208 704
	15 930 269	13 014 883

* *Includes reclassification of gains and losses recognised in cash flow hedge reserve.*

(c) Transportation services

There are contracts with customers which require that the group provides transportation services as a separate performance obligation. The group acts as a principal in these transactions.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2022 R'000	2021 R'000
Within one year	**6 416**	6 349

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

2.4.1 Expenses by nature

	2022 R'000	2021 R'000
Aluminium and other material costs	**10 682 057**	8 481 989
Utilities and other direct manufacturing costs	**1 625 572**	1 315 082
Employment costs (note 2.4.1(a))	**1 314 696**	1 212 855
Depreciation on property, plant and equipment (note 5.1)	**79 948**	68 131
Depreciation on right-of-use assets (note 5.2)	**12 193**	7 584
Amortisation of intangible assets (note 5.3)	**10 448**	10 884
Repairs and maintenance	**395 154**	377 781
Freight and commissions	**664 691**	530 423
Other operating income and expenditure	**611 267**	549 792
	15 396 026	12 554 521
Classified as:		
Cost of sales of goods	**13 939 931**	11 328 626
Cost of providing services	**102 198**	48 888
Selling, marketing and distribution expenses	**807 077**	653 478
Administrative and other expenses (including net impairment losses on financial assets) (note 2.4.5)	**546 820**	523 529
	15 396 026	12 554 521

(a) Employee benefit costs

The cost of short-term employee benefits is recognised in the statement of profit or loss in the period in which the service is rendered and is not discounted.

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

Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as service cost, net interest expense or income and remeasurement.

The group presents service cost and net interest expense or income in profit or loss. Curtailment gains and losses are accounted for as past service costs.

	2022 R'000	2021 R'000
Employment costs		
Salaries and wages	**1 210 306**	1 117 423
Retirement benefit costs:	**72 334**	62 028
Defined contribution schemes	**74 445**	65 749
Defined benefit scheme (note 8.2(c))	**(2 111)**	(3 721)
Post retirement medical aid costs (note 8.2(d))	**20 592**	20 029
Retirement gratuities (note 8.2(e))	**4 961**	4 672
Share incentive costs	**6 503**	8 703
	1 314 696	1 212 855

2.4.2 Gains and losses on financial instruments related to trading activities

The group is exposed to fluctuations in aluminium prices and exchange rates and hedges these risks with derivative financial instruments. The group applies hedge accounting to gains and losses arising from certain derivative financial instruments.

Hedges of forecast sales transactions, where effective, are accounted for as cash flow hedges.

The effective portion of cash flow hedge gains and losses are recorded initially in the hedge reserve and released to revenue from contracts with customers when the sale occurs.

Other gains and losses include, *inter alia*, the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments (including the ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains.

	2022 R'000	2021 R'000
Foreign exchange gains on debtors and creditors balances	**12 032**	7 414
Foreign currency denominated cash balances	**(5 613)**	6 687
Valuation adjustments on non-derivative items	**6 419**	14 101
Foreign exchange contracts	**(7 281)**	3 352
Commodity futures	**–**	4 552
Valuation adjustments on derivative items	**(7 281)**	7 904
Gains and losses on financial instruments related to trading activities	**(862)**	22 005

2.4.3 Other gains and losses

	2022 R'000	2021 R'000
(Loss)/Profit on disposal of property, plant and equipment	**(7 749)**	39 505
Other*	**4 419**	1 199
	(3 330)	40 704

* *Other includes fair value gain on insurance captive of R3.8 million for the current year (note 5.4).*

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.4 Impairment of non-financial assets

At each reporting date, the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated.

The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

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

(a) Impairment assessment – Cash generating unit

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

(i) Hulamin Operations Cash Generating Unit

The key economic and business assumptions used in the value-in-use calculation are consistent with those used in the budget and the five-year business plan approved by the board of directors.

Key assumptions include:

	2022	2021
Comparison of key assumptions		
Weighted average cost of capital		
– before tax	**22.1%**	21.8%
– after tax	**16.1%**	15.7%

		In year five		Compound annual growth rate	
		2022	2021	2022	2021
Annual average	(ZAR/USD)	**17.55**	16.32	**1.4%**	2.0%
Sales volume	(tons)	**224 616**	226 000	**2.2%**	1.6%
Rolling margins	(USD/ton)	**1 601**	1 429	**1.4%**	5.0%
Total manufacturing costs	(RM)	**3 841**	3 541	**5.9%**	2.8%
Working capital investment	(USDM)	**182**	138	**2.5%**	3.2%

A pre-tax discount rate of 22.1% (post-tax 16.1%) was used in the calculation and this rate has increased from the pre-tax 21.8% (post-tax 15.7%) used in 2021. The movement in the discount rate is impacted by:

- Increase in market interest rate to 10.26%; and
- Was offset by a decrease in the company specific risk premium due to improved performance and profitability levels, which marginally offset the impact of higher interest rates.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2022 and with reference to inflation differentials thereafter, with the ZAR:USD rate rising from an annual average of R16.38 in 2022 to R17.55 in 2027.

Sales volumes are forecast to be slightly higher than volumes achieved in 2022 and will grow at a reasonable increase due to a change in sales mix capitalising on the higher demand for canstock.

Rolling margin forecasts include anticipated changes in both market conditions and the product mix. As a composite of margins and the aluminium commodity price, selling prices are expected to increase with the increase in the price of aluminium. Demand is expected to remain robust for the targeted product streams in 2023. The 15% import duty on aluminium imports into RSA effective from 2021, is expected to support further improvement in domestic sales volumes in 2023.

Sensitivity analysis

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

Sensitivities	Impact* Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	**(442)**	**(232)**
Rolling margins – average reduction of 5%	**(1 873)**	**(1 664)**
Exchange rate – R1 strengthening in ZAR/USD	**(1 751)**	**(1 542)**

* *Impact is the resultant movement on the computed value in use amount based on change in assumptions. The resultant headroom/(impairment) is shown in the column following.*

(ii) Extrusions Cash Generating Unit

The strong market performance from 2021 carried into 2022. However, by mid-year there was a downward pressure on volumes as a result of the KZN floods in April, and the reduction in customer volumes as a result of the end of their Automotive Sector contracts. These customers are expected to return to "normal" volumes in 2023 as a result of alternative work being concluded in the Automotive sector to the benefit of those customers. There is some uncertainty in the local market, as a result the continued impact of load shedding on the economy. Despite these challenges Extrusions returned to strong volumes which have been carried through into the five-year business plan, and the increased certainty thereof is reflected in the discount rate.

Key assumptions include:

		2022	2021
Comparison of key assumptions			
Weighted average cost of capital			
– before tax	(%)	**22.6**	22.51
– after tax	(%)	**16.5**	16.22
Annual average	(ZAR/USD)	**17.55**	15.63
Sales volume	(tons)	**13 000**	12 664
Sales volume growth rate	(%)	**4**	3
Total manufacturing costs growth rate	(%)	**6**	7

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

2. Performance: measures used to assess performance continued
2.4 Material profit or loss items continued
2.4.4 Impairment of non-financial assets continued
(a) Impairment assessment – Cash generating unit continued

(ii) Extrusions Cash Generating Unit continued

Sensitivity analysis

The determination of the value in use for Extrusions, and any resulting impairment, is particularly sensitive to:

Sensitivities	Impact* Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	**(15)**	**17**
EBIT – average reduction of 5%	**(12)**	**20**
Exchange rate – R1 weakening in ZAR/USD	**(26)**	**6**

* *Impact is the resultant movement on the computed value in use amount based on change in assumptions. The resultant headroom/(impairment) is shown in the column following.*

(iii) Containers Cash Generating Unit

The CGU benefited from improved trading conditions improved in 2022 and is continuing into 2023. The unit has been able to achieve its target prices and this is expected to continue in the forecast period.

Key assumptions include:

		2022	2021
Comparison of key assumptions			
Weighted average cost of capital			
– before tax	(%)	**23.2**	22.51
– after tax	(%)	**16.9**	16.22
Annual average	(ZAR/USD)	**17.55**	15.63
Sales volume	(tons)	**2 011**	1 543
Sales volume growth rate	(%)	**3**	7
Total manufacturing costs growth rate	(%)	**5**	3

Sensitivity analysis

The determination of the value in use for Extrusions, and any resulting impairment, is particularly sensitive to:

Sensitivities	Impact* Rm	Headroom/ (Impairment) Rm
Discount rate – 1 % increase	**(4)**	**12**
EBIT – average reduction of 5%	**(2)**	**14**

* *Impact is the resultant movement on the computed value in use amount based on change in assumptions. The resultant headroom/(impairment) is shown in the column following.*

2.4.5 Administrative and other expenses

The following items are included in administrative and other expenses.

	2022 R'000	2021 R'000
Increase in expected credit loss of financial assets	**(736)**	(4 430)
Auditors' remuneration (Internal and external)	**12 363**	13 335
Audit fees	**12 363**	13 269
Expenses	**–**	66

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

3. Debt/equity: measures to assess group leverage

3.1 Current borrowings

		2022 R'000	2021 R'000
Revolving working capital facility		**916 839**	800 076
		916 839	800 076
Effective interest rates are as follows:			
Revolving working capital facility	(%)	**9.92**	6.25

The revolving working capital facility comprise gross borrowings of R916 million (2021: R800 million). Per the signed agreement signed in 2022 there are no restriction on credit balances in bank accounts.

The revolving working capital facility and general banking 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 revolving working capital facility require prior notification for the following specified events:

- Encumbering any assets to secure financial indebtedness in excess of R20 million;
- Making loans or guarantees in excess of R20 million;
- Disposing of assets for which the higher of market value or sales price thereof exceeds R20 million;
- Entering into a merger or corporate restructuring;
- Amendments to the aluminium price and exchange rate hedging strategy; and/or
- Pre-approval is required when incurring additional financial indebtedness in excess of R50 million.

The revolving working capital facility requires that the group comply with the following financial covenants:

	2022	2021
Current ratio	**>1.25**	>1.25
Debt to equity ratio*	**<0.6**	<0.5

** As defined in the contractual agreements.*

The group has complied with the financial covenants of its borrowing facilities during the 2022 and 2021 reporting period.

The obligations of the revolving working capital facility have been guaranteed by each of Hulamin Limited, Hulamin Extrusions Proprietary Limited and Hulamin Containers Proprietary Limited. The debt package is held through Hulamin Operations Proprietary Limited.

The fair values of the current borrowings approximate their carrying value based on the short-term nature of these borrowings. The fair value of the borrowings is classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

Hulamin does not have any restrictive funding arrangements in terms of JSE LR 8.63(p).

3.2 Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The group leases various buildings, forklifts and IT-equipment. Rental contracts typically extend for fixed periods of one to five years but may have further extension options. Rentals periods vary between monthly and quarterly. Lease payments for some contracts include CPI increases.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

The maturity analysis of lease liabilities is disclosed in note 7.3.

	2022 R'000	2021 R'000
As at 1 January 2022	**52 923**	67 764
Additions	**19 601**	511
Lease modifications	**6 972**	–
Payment of principal and interest	**(22 807)**	(20 415)
Interest	**5 403**	5 063
As at 31 December 2022	**62 094**	52 923
Current	**15 379**	11 467
Non-current	**46 715**	41 456

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

3. Debt/equity: measures to assess group leverage continued

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 2022.

	2022 R'000	2021 R'000
Net debt comprises:		
Cash and cash equivalents (note 4.1)	**81 294**	149 474
Current borrowings (note 3.1)	**(916 839)**	(800 076)
Lease liabilities (note 3.2)	**(62 094)**	(52 923)
Net debt (note 7.4)	**(897 639)**	(703 525)
Cash and cash equivalents	**81 294**	149 474
Gross debt – variable interest rates	**(978 933)**	(852 999)
Net debt	**(897 639)**	(703 525)

The categories of net debt are reconciled as per the table below:

	Assets	Liabilities from financing activities				
	Cash	Lease liabilities – due within one year	Lease liabilities – due after one year	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 1 January 2021	38 045	(20 514)	(47 250)	(789 053)	–	(818 772)
Cash flows	104 742	9 245	6 107	(11 023)	–	109 071
Increase in lease liabilities*	–	(198)	(313)	–	–	(511)
Foreign exchange adjustments	6 687	–	–	–	–	6 687
Net debt as at 31 December 2021	**149 474**	**(11 467)**	**(41 456)**	**(800 076)**	**–**	**(703 525)**
Cash flows	**(62 567)**	**4 251**	**13 156**	**(116 763)**	**–**	**(161 923)**
Increase in lease liabilities*	**–**	**(8 163)**	**(18 415)**	**–**	**–**	**(26 578)**
Foreign exchange adjustments	**(5 613)**	**–**	**–**	**–**	**–**	**(5 613)**
Net debt as at 31 December 2022	**81 294**	**(15 379)**	**(46 715)**	**(916 839)**	**–**	**(897 639)**

* *Refer to note 3.2 for reconciliation of leases.*

3.4 Stated capital, consolidation shares and treasury shares

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

Consolidated shares represent the A and B class ordinary shares issued to the BEE investor company and the ESOP Trust. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, disposed of or reissued.

(a) Authorised

800 000 000 ordinary shares of no par value (2021: 800 000 000 ordinary shares)

31 477 333 A ordinary shares of no par value (2021: 31 477 333 A ordinary shares)

36 072 000 B ordinary shares of no par value (2021: 36 072 000 B ordinary shares)

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 shares.

The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

(b) Issued

	2022 R'000	2021 R'000
Ordinary shares		
Closing balance: 324 318 436 shares of no par value (fully paid up) (2021: 324 318 436 shares (fully paid up)	**1 817 627**	1 817 627
A ordinary shares		
Closing balance: 26 755 733 A2 shares and 4 721 600 A3 ordinary shares (fully paid up) (2021: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 656**	59 656
B ordinary shares		
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2021: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))	**361**	361
Total issued stated capital	**1 877 644**	1 877 644
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital	**1 817 627**	1 817 627

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

3. Debt/equity: measures to assess group leverage continued

3.4 Stated capital, consolidation shares and treasury shares continued

(b) Issued shares continued

Issued shares movement schedule

	2022 Number	2021 Number
Ordinary shares		
Opening balance	**324 318 436**	324 318 436
Closing balance	**324 318 436**	324 318 436
A ordinary shares		
Opening balance	**31 477 333**	26 755 733
A3 shares issued	**–**	4 721 600
Closing balance	**31 477 333**	31 477 333
B ordinary shares		
Opening balance	**36 072 000**	36 072 000
Closing balance	**36 072 000**	36 072 000

(c) A and B ordinary shares

All A ordinary shares and B ordinary shares have voting rights which rank *pari passu* with ordinary shares.

A3 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

(d) Unissued

(i) Under option to employees:

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 8.1.

(ii) Under the control of the directors:

At 31 December 2022, 6 801 529 unissued ordinary shares (2021: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes. Shares under the control of the directors are approved annually at the Annual General Meeting.

(e) Treasury shares

During the current year no shares were purchased by the Group. In 2020 7 638 806 shares were purchased on-market in order to hold treasury shares to settle share scheme obligations. These shares were acquired at an average price 178 cents per share, with prices ranging from 220 to 125 cents per share. The total cost R13.8 million including after-tax transaction costs and excluding the vesting of the A1 ordinary shares of R47 thousand in 2020, was deducted from shareholder equity. The total reduction in paid-up capital was R35.8 million.

4. Working capital: measures used to assess liquidity

4.1 Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost. Cash and cash equivalents comprise bank balances, cash on hand and deposits held with local banks with original maturities of three months or less.

		2022 R'000	2021 R'000
Bank balances		**81 280**	149 460
Cash on hand		**14**	14
		81 294	149 474
Effective interest rate on credit	(%)	**–**	–

Bank balances with a carrying value of R58 million (2021: R129 million) were pledged as security for borrowing facilities (note 3.3). For further information on the credit quality of cash, refer to the Financial Risk Management section (note 7).

The group has sufficient liquidity available through its direct borrowing facilities. Committed undrawn facilities available at year-end are further detailed in note 7.3. There is no element of significant discount on cash.

Included in bank balances are the following foreign currency denominated accounts:

	2022 R'000	2021 R'000
Euro	**17 409**	22 121
Pound Sterling	**(568)**	10 342
US Dollar	**9 210**	13 925

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

4. Working capital: measures used to assess liquidity continued

4.2 Inventories

The Group recognises inventories initially at cost when it has control of the inventories, expects it to provide future economic benefits and the cost can be measured reliably. Cost includes expenditure incurred in acquiring, manufacturing and transporting the inventory to its present location. Inventories are subsequently measured at the lower of cost and net realisable value.

The cost is determined on the following basis:

Consumable stores: Weighted average.

Raw materials, work in progress and finished goods: First-in-first-out. The inventory balance consists of:

	2022 R'000	2021 R'000
Raw materials	**988 554**	906 647
Work-in-progress	**1 097 566**	536 537
Finished goods	**844 888**	1 082 241
Consumable stores	**508 395**	490 672
	3 439 403	3 016 097

	2022 R'000	2021 R'000
Inventory net realisable value adjustment	**(31 943)**	(34 539)

4.3 Trade and other receivables

(a) Accounting policies and significant judgements

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current. Trade receivables are recognised initially at the transaction price. Details of the group's impairment policies are provided in section (c) below.

Due to the short-term nature of the current receivables, the carrying amount approximates their fair value.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of an overdue debtor to engage in a repayment plan within the group, and a failure to make contractual payments for a period greater than 120 days past due.

Sundry receivables generally arise from transactions outside of the usual trading activities of the group.

(b) Financial and non-financial assets

	2022 R'000	2021 R'000
Financial assets	**1 217 083**	1 289 537
Trade receivables (Note 4.3(c))	**1 175 953**	1 318 063
Less: Loss allowance	**(4 792)**	(5 529)
Trade receivables less allowances (Note 4.3(d))	**1 171 161**	1 312 534
Less: Settlement discounts, customer claims, rebates and other	**(46 490)**	(53 690)
Net Trade receivables	**1 124 671**	1 258 844
Sundry receivables	**92 412**	30 693
Non-financial assets	**192 187**	153 364
Prepayments	**73 590**	45 109
Value-added taxation receivable	**118 597**	108 255
	1 409 270	1 442 901

Included in sundry receivables is a specific ECL provision amounting to R580 000. The provision is determined in line with the groups accounting policy for expected credit losses.

(c) Impairment of trade receivables

The group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and days past due. The group has trade receivables for sales of inventory and the provision of services. The sale of goods and provision of services have substantially the same risk characteristics for the same type of customer. The group has therefore concluded that the expected loss rate relating to sale of goods are a reasonable approximation of the loss rate for the provision of services. The group also covers all trade receivables through the Credit Guarantee Insurance Company (CGIC) and cover is subject to an uninsured portion of 20% (2021: 20%) and a franchise loss applicable to the Extrusions business. The CGIC cover is taken out at the inception of the sale and is integral to the enactment of the sale. Therefore, the CGIC cover is included in the calculation of the loss allowance.

The group performs an assessment at the end of each reporting period of the change in credit risk from when the trade receivables were recognised. This includes an assessment of default by assessing amounts past due from customers, claims received and processed and defaulting customers. As the trade receivables are insured, as detailed above, historical assessment indicates a low risk of default.

The group has determined that it is appropriate to group trade receivables into local and export receivables. The aggregation of trade receivables in this manner is consistent with the way in which the executive committee monitors sales and market demand. Further the cover obtained through CGIC quotes a premium based on the two categories of trade receivables, local and export, further indicating the similarity of trade receivables within these two categories.

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2022 or 1 January 2021 respectively and the corresponding historical credit losses experienced within this period. As debtors' days are on average 30 days for local debtors and 45 days for export debtors a 24-month period reflects sufficient data points over the life of the asset to determine historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. Current forward-looking information considered by the Hulamin Credit Risk Committee includes regional growth and political stability. If forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, affected trade receivables are specifically provided for.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

(c) Impairment of trade receivables continued

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses requires judgement. The amount of the expected credit loss is sensitive to changes in circumstances and forecast economic conditions. The group's historical credit loss experience and forecast economic conditions may also not be representative of the customer's actual default in the future. The expected credit loss has been calculated based on the uninsured portion of the debtors balance.

On that basis, the loss allowance as at 31 December 2022 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2022								
Expected loss rate	(%)	–	–	–	–	–	–	–
Gross carrying amount	(R'000)	256 410	92 896	8 359	558	3 574	32 553	394 350
Loss allowance	(R'000)	–	–	–	–	–	–	–
Local debtors at 31 December 2022								
Expected loss rate	(%)	–	–	–	–	–	100	0.6
Gross carrying amount	(R'000)	628 526	121 584	10 559	4 269	11 873	4 792	781 603
Loss allowance	(R'000)	–	–	–	–	–	4 792	4 792

The loss allowance as at 31 December 2021 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2021								
Expected loss rate	(%)	–	–	–	0.4	–	–	–
Gross carrying amount	(R'000)	475 705	83 423	40 910	17 275	(21)	(461)	616 829
Loss allowance	(R'000)	–	–	–	71	–	–	71
Local debtors at 31 December 2021								
Expected loss rate	(%)	–	–	–	–	–	91.8	0.6
Gross carrying amount	(R'000)	574 673	88 225	7 447	9 800	15 146	5 944	701 234
Loss allowance	(R'000)	–	–	–	(0)	–	5 458	5 458

The closing loss allowance for trade receivables as at 31 December 2022 reconciles to the opening loss allowance as follows:

	2022 R'000	2021 R'000
Opening balance	5 529	9 959
(Decrease)/Increase in loss allowance recognised in profit or loss during the	(737)	(4 430)
Closing balance	4 792	5 529

The reduction in the current years ECL provision is attributable to receipts from debtors that previously were specifically provided for, as they were not subject to CGIC cover.

(d) Credit risk of trade receivables

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. The group's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed below. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based on the specific amount of credit insurance that can be secured for each new customer. The percentage of all trade receivables covered by insurance is detailed below.

As at 31 December 2022, the ageing analysis of trade receivables, which constitute financial assets, is as follows:

	2022 R'000	2021 R'000
Receivables that are not overdue and remain within credit limits	1 086 120	1 131 818
Receivables which have exceeded credit terms and are:	85 041	180 716
Overdue by less than 60 days	35 370	119 508
Overdue by more than 60 days	49 671	61 207
Trade receivables, net of provision for credit losses	1 171 161	1 312 534

	2022 R'000	2021 R'000
Local trade receivables	716 500	677 440
– Balance subject to credit insurance (%)	100	99
Export trade receivables	338 855	580 829
– Balance subject to credit insurance (%)	100	97
	1 055 555	1 258 269

At 31 December 2022, the group had 20 debtors that owed it more than R10 million each and accounted for approximately 66% of all receivables outstanding (the prior year included 23 debtors that owed it more than R10 million each and accounted for approximately 71% of all receivables outstanding). There is no other significant concentration of risk related to a particular customer or industry segments. As at 31 December 2022, 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:

Individual trade receivables covered by credit insurance are subject to between 15% and 20% excess on local and export debtors.

Trade and other receivables with a carrying value of R1.0 billion (2021: R1.3 billion) have been ceded as security for borrowing facilities (note 3.1).

The group is exposed to exchange rate fluctuations on the following uncovered export trade debtors at year-end. This exposure arises due to the early closure of financial institutions on 31 December.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

(d) Credit risk of trade receivables continued

	2022 Foreign amount R'000	2022 Rand amount R'000	2021 Foreign amount R'000	2021 Rand amount R'000
Euro	**4 631**	**83 649**	10 552	190 026
Pound Sterling	**–**	**–**	592	12 720
US Dollar	**5 443**	**92 336**	3 346	53 216
	10 074	**175 985**	14 490	255 962

4.4 Trade and other payables

	2022 R'000	2021 R'000
Trade payables	**1 345 070**	1 455 819
Bonus accrual	**30 746**	44 384
Leave pay*	**80 762**	76 653
Current leave obligations expected to be settled after 12 months	**21 764**	22 649
Current leave obligations expected to be settled within 12 months	**58 998**	54 004
Sundry accruals and other payables**	**358 384**	315 421
	1 814 962	1 892 276

* *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.*

** *Sundry accruals and other payables include accruals, employee benefit obligations and accrued interest and is due to be settled within 12-months.*

Due to the short-term nature of the current payables, the carrying amount approximates their fair value.

5. Long-term assets: utilisation of fixed and intangible assets

5.1 Property, plant and equipment

(a) Accounting policies and significant judgements

Capital works under construction is stated at cost, net of accumulated impairment losses. Plant and equipment is initially recognised at cost and subsequently measured at cost net of depreciation and impairments. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects.

Capital works under construction is stated at cost, net of accumulated impairment losses. Plant and equipment is initially recognised at cost and subsequently measured at cost net of depreciation and impairments. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects.

(i) Useful lives and residual values

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually. During the current year, the useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments. No adjustments have been made to these.

(ii) Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

(iii) Borrowing costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The amount of borrowing costs capitalised during the year ended 31 December 2022 was R1.8 million (2021: R3.6 million). The weighted average interest rate used for borrowing costs capitalised is 8.7% (2021: 6.1%).

(iv) Strategic spares

Strategic spare parts are consumed in a production process and held for longer than a year. Depreciation commences when the part is installed and put into use.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

5. Long-term assets: utilisation of fixed and intangible assets continued

5.1 Property, plant and equipment continued

(b) Property, plant and equipment movement schedule

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
2022					
At cost					
Balance at beginning of year – Restated	**8 241 226**	**1 035 414**	**6 743 673**	**225 928**	**236 211**
Additions	**224 596**	**661**	**17 900**	**863**	**205 172**
Borrowing costs capitalised	**1 757**	**–**	**–**	**–**	**1 757**
Capitalised from capital works under construction	**–**	**1 093**	**331 101**	**556**	**(332 750)**
Transfers to intangible assets	**(8 824)**	**–**	**–**	**–**	**(8 824)**
Disposals	**(63 939)**	**–**	**(59 242)**	**(4 697)**	**–**
Balance at end of year	**8 394 816**	**1 037 168**	**7 033 432**	**222 650**	**101 566**
Accumulated depreciation and impairment					
Balance at beginning of year – Restated	**7 334 457**	**879 244**	**6 054 557**	**197 738**	**202 918**
Charge for the year (note 2.4.1)	**79 948**	**5 169**	**70 904**	**3 875**	**–**
Capitalised from capital works under construction	**–**	**–**	**173 288**	**–**	**(173 288)**
Disposals	**(56 190)**	**–**	**(51 486)**	**(4 704)**	**–**
Balance at end of year	**7 358 215**	**884 413**	**6 247 263**	**196 909**	**29 630**
Carrying value at 31 December 2022	**1 036 601**	**152 755**	**786 169**	**25 741**	**71 936**
2021					
At cost					
Balance at beginning of year – Restated	8 113 714	1 034 368	6 576 499	218 604	284 243
Additions	160 215	658	22 954	1 414	135 189
Borrowing costs capitalised	3 673	–	–	–	3 673
Capitalised from capital works under construction	–	388	167 997	5 910	(174 295)
Transfer to intangible assets	(12 599)	–	–	–	(12 599)
Transfers to assets-held-for-sale	(23 776)	–	(23 776)	–	-
Balance at end of year – Restated	8 241 227	1 035 414	6 743 674	225 928	236 211
Accumulated depreciation and impairment losses					
Balance at beginning of year	7 288 656	873 059	6 018 631	194 048	202 918
Charge for the year (note 2.4.1)	68 131	6 185	58 255	3 690	–
Disposals	(22 330)	–	(22 330)	–	–
Balance at end of year	7 334 457	879 244	6 054 556	197 738	202 918
Carrying value at 31 December 2021 – Restated	906 770	156 170	689 118	28 190	33 293

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

Moveable items with a carrying value of R11.5 million (2021: R11.8 million) are encumbered as security for borrowing facilities (note 3.1).

The total depreciation charge is included in cost of sales, R56.5 million (2021: R74.2 million), and inventory, R22.8 million (2021: R12.4 million).

5.2 Right-of-use assets

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	5 to 20 years
Vehicles, equipment and other	5 to 10 years

The group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value, which would generally include rental of printers etc. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The lease liabilities relating to the right of use assets are disclosed in note 3.2.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Total R'000	Land and buildings R'000	Vehicles, equipment and other R'000
1 January 2021	44 550	32 914	11 636
Additions	511	–	511
Depreciation expense (note 2.4.1)	(7 585)	(1 639)	(5 946)
31 December 2021	37 476	31 275	6 201
1 January 2022	**37 476**	**31 275**	**6 201**
Additions	**19 609**	**–**	**19 609**
Lease modifications	**6 972**	**–**	**6 972**
Depreciation expense (note 2.4.1)	**(12 193)**	**(1 639)**	**(10 554)**
31 December 2022	**51 864**	**29 636**	**22 228**

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

5. Long-term assets: utilisation of fixed and intangible assets continued

5.3 Intangible assets

(a) Accounting policies and significant judgements

The group's only intangible asset is computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. These costs are amortised over their estimated useful lives, as follows:

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

Maintenance costs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when technical and commercial feasibility of the asset for use has been established and all the asset recognition criteria are met. Directly attributable costs that are capitalised as part of the software product comprise mainly software development employee costs.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Computer software costs recognised as assets are amortised over their estimated useful lives. Total amortisation is included in cost of sales in the statement of profit or loss.

The weighted average interest rate used for borrowing costs capitalised is 8.7% (2021: 6.1%).

Capital work in progress ("CWIP") included within the total software cost below is R11.0 million (2021: R12.6 million). Once the asset is commissioned amortisation thereof will commence.

	2022 R'000	2021 R'000
Software costs – internally generated		
Balance at beginning of year	**111 160**	100 189
Additions	**8 824**	10 971
Balance at end of year	**119 984**	111 160
Accumulated amortisation		
Balance at beginning of year	**84 308**	74 804
Charge for the year (note 2.4.1)	**3 766**	9 504
Balance at end of year	**88 074**	84 308
Carrying value at end of year	**31 910**	26 852
Software costs – purchased		
Balance at beginning of year	**113 936**	112 309
Additions	**–**	1 627
Balance at end of year	**113 936**	113 936
Accumulated amortisation		
Balance at beginning of year	**105 912**	104 532
Charge for the year (note 2.4.1)	**6 683**	1 380
Balance at end of year	**112 595**	105 912
Carrying value at end of year	**1 341**	8 024
Total software costs		
Cost	**233 920**	225 096
Accumulated amortisation	**(200 669)**	(190 221)
Carrying value at end of year	**33 251**	34 875

Borrowing costs of R481 000 (2021: Nil) has been capitalised through completion of projects.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

5. Long-term assets: utilisation of fixed and intangible assets continued

5.4 Other Assets

(a) Finance lease receivable

The group entered into a lease arrangement as a lessor in the current and prior years which are considered to be a finance lease. The group leases property, plant and machinery and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The lease receivable arises due to a leasing agreement entered into with Bingelela Alloys. This lease represents a finance lease under the requirements of IFRS 16 and the related property, plant and machinery item subject to the lease was derecognised and the lease receivable recognised. This lease was settled during 2021.

The following reconciliation reflects the anticipated cash receipts over the period of the lease:

Reconciliation of balance	2022 R'000	2021 R'000
Opening balance	–	13 005
Interest income	–	744
Other income statement charges	–	812
Proceeds	–	(14 562)
Closing balance	–	–

Profit and loss information

	2022 R'000	2021 R'000
Profit or loss impact	–	812
Finance income on the net investment in the lease	–	744
	–	1 556

(b) Long-term deposit

A R32.1 million (USD 2 million) deposit was made with an insurance company to secure a customs bond in relation to US exports. This deposit cannot be recalled for a period of two years and is disclosed as a non-current asset. The long-term deposit is carried at amortised costs and its carrying value reflects fair value. The carrying amount as at 31 December 2022 is R33.9 million (2021: 32.1 million).

(c) Investment in insurance arrangement

	2022 R'000	2021 R'000
Opening balance	–	–
Additions	2 045	–
Fair value recognised through profit/loss	3 757	–
Closing balance	5 802	–

During the 2022 financial period, Hulamin entered into an insurance arrangement with Madison Risk Group ("MRG") Insurance whereby Hulamin became a Shareholder of the MRG Arrangement in both the South African Company called Group Risk Holdings and the MRG Insurance license in the Isle of Man. Hulamin's share of the equity is 5.75%.

As at 31 December 2022 the investment at fair value amounted to R5.8 million. The investment is held at fair value through profit and loss using level 3 fair value hierarchy.

5.5 Capital expenditure commitments

Capital commitments include all projects for which specific Board approval has been obtained up to the reporting date. Capital expenditure will be funded by a combination of external borrowings and cash flows from operations. Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2022 R'000	2021 R'000
Property, plant and equipment	38 445	23 235

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

6. Details of investments in subsidiaries and joint venture

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2022. Control exists where the group is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. The results of entities controlled by the group acquired or disposed of during the year are included in the group statement of profit or loss from the date the group exercised control, or up until the point it ceases to exercise control. Inter- company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation.

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

(b) Investment in joint ventures

The group applies IFRS 11, "Joint Arrangements" to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for applying the equity method.

Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equal or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the group's net investment in joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains/losses on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(c) The consolidated financial statements of the group include:

	Country of incorporation	Percentage equity interest 2022	Percentage equity interest 2021	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Containers (Pty) Ltd*	South Africa	**100**	100	Container fabricator
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	**–**	–	Sales office
Joint venture				
Hulamin Containers (Pty) Ltd**	South Africa	**38.7**	38.7	Property owning company

* *Subsidiaries of Hulamin Operations (Pty) Ltd.*
** *Isizinda is a joint venture entered into by Hulamin Operations (Pty) Ltd.*

Structured entities

The following structured entities have been consolidated into the Group results:

- Imbewu SPV 14 (Pty) Ltd (note 8.1(d)(i))
- The 2015 Hulamin Employee Share Ownership Trust (note 8.1(d)(ii))
- Hulamin North America LLC

Structured entities have no material individual assets or liabilities. All transactions with structured entities eliminate on consolidation. No financial guarantees are provided on behalf of structured entities.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

6. Details of investments in subsidiaries and joint venture continued

(d) Interests in Joint Ventures

1. Joint arrangements

(a) Investment in Isizinda Aluminium Proprietary Limited ("Isizinda")

The Group has a 38.7% investment in joint venture, Isizinda. Isizinda is a separate entity incorporated and operating in South Africa. The primary activity of Isizinda is the management of properties, including the maintenance thereof, disposal of properties and other assets, sourcing, vetting and ongoing maintenance of tenants, and determining the terms for lease agreements.

In determining whether an entity has control or joint control over an investee, one needs to determine what the investee's relevant activities are and who can direct those activities. The relevant activities are those that significantly impact the economic performance or returns over the investee entity. The memorandum of incorporation and shareholders agreement requires that the management and decision-making over Isizinda's operations requires unanimous consent of all shareholders. Hulamin Operations holds a protective right to prevent dividend payments before settlement of its loan by Isizinda. This protective right does not prevent the counterparty from exercising its rights regarding the management of Isizinda's operations and decision-making thereon.

IFRS 11.8 provides guidance that all parties control an arrangement when they must act together to direct the activities that significantly affect the returns of the arrangement. As the decision-making over Isizinda's relevant activities requires unanimous consent of both Hulamin Operations and Bingelela, neither party can make decisions on Isizinda's operations independently of the other party. Therefore, Isizinda is jointly controlled by Hulamin Operations and Bingelela.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The summary of financial information in relation to the joint venture as presented below is disclosed at Hulamin Operations' proportional shareholding of 38.7 percent.

Summarised financial information in relation to the groups share of the joint venture is presented below:	**2022 Prop share -38.7% R'000**	**2022 Balance -100% R'000**	**2021 Prop share -38.7% R'000**	**2021 Balance -100% R'000**
Summarised statement of financial position				
Current assets				
Cash and cash equivalents	**18**	**47**	24	62
Other current assets	**4 067**	**10 508**	5 223	13 497
Total current asset	**4 085**	**10 555**	5 247	13 559
Financial liabilities (excluding trade payables)	**28 721**	**74 213**	30 497	78 803
Total current liabilities	**35 532**	**91 814**	38 552	99 618
Non-current assets				
Property, plant and equipment	**31 632**	**81 736**	31 651	81 786
Total non-current asset	**31 632**	**81 736**	31 651	81 786
Net assets	**185**	**477**	(1 654)	(4 273)
Summarised statement of comprehensive income				
Revenue from contracts with customers	**2 736**	**7 069**	2 139	5 528
Finance costs	**(2 746)**	**(7 097)**	(2 165)	(5 593)
Finance income	**9**	**23**	1	1
Profit/(loss) before tax	**1 744**	**4 508**	(1 834)	(4 738)
Income tax expense	**(552)**	**(1 427)**	(424)	(1 096)
Profit/(loss) after tax	**1 192**	**3 081**	(2 258)	(5 834)
Total comprehensive profit/(loss)	**1 192**	**3 081**	(2 258)	
Reconciliation of summarised financial information presented to the carrying amount of the joint venture	**–**		–	
Opening net assets on 1 January 2022	**(3 823)**		(1 565)	
Adjusted total comprehensive profit/(loss) for the year	**1 192**		(2 258)	
Loan balance attributable to joint ventures	**74 213**		63 871	
Net Impairment reversal/(loss) on loans to joint ventures	**–**		14 932	
Carrying value	**71 582**		74 980	
Interest in joint venture %	**38.7**		38.7	

A sale agreement for the Land & Buildings is currently being negotiated and transfer is expected in June/July 2023. The loan balance due to Hulamin will be settled from the proceeds of this sale and thereafter Isizinda will be de-registered.

7. Financial risk management: measures to mitigate risk

Financial risk factors

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

7.1 Market risk

(a) Foreign exchange risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. The group's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities.

The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the group's foreign currency exposure at 31 December, the after-tax profit for the year would have been higher or lower by R7 million (2021: R9.2 million) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of foreign currency denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are not offset by equivalent gains or losses in currency derivatives. There were no currency cash flow hedges at the end of 2022.

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuated with movements on the London Metal Exchange and as a result the group is exposed to commodity price risk from the time the aluminium is purchased to when it is sold to a customer (Metal Price Lag). The group uses LME future contracts to manage the commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the strategy was to hedge 50% of the risk using futures contracts. The group suspended the Metal Price Lag hedging strategy in the first quarter of 2020.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and the group has not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after-tax profit (2021: Nil) and no effect on equity (2021: 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 R4.4 million (2021: R4 million).

The group analyses the impact on profit and loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The analysis is only for liabilities that represent the major interest-bearing positions.

(d) Foreign currency management – firm commitments, trade debtors, creditors and import orders

The following forward foreign exchange contracts and options cover foreign currency risk on trade debtors, creditors balances and import orders. The forward exchange contracts were not designated as hedging instruments for hedge accounting purposes at the period end:

	2022			2021		
	Foreign amount R'000	**Rand amount R'000**	**Fair value asset/ (liability) R'000**	**Foreign amount R'000**	**Rand amount R'000**	**Fair value asset/ (liability) R'000**
Forward purchases						
Euro	**6 460**	**(117 730)**	**(870)**	16 765	(302 768)	(375)
Pound Sterling	**1 100**	**(22 655)**	**(152)**	475	(10 009)	202
US Dollar	**9 775**	**(167 290)**	**(1 350)**	19 240	(306 848)	(449)
		(307 675)	**(2 372)**		(619 625)	(622)
Forward sales						
Euro	**(8 910)**	**163 407**	**2 146**	(22 300)	401 878	(468)
Pound Sterling	**(550)**	**11 280**	**34**	(800)	17 290	92
US Dollar	**(10 000)**	**171 004**	**1 237**	(17 740)	284 044	1 055
		345 691	**3 417**		703 212	679
Currency options						
US Dollar	**–**	**–**	**–**	(97 200)	–	6 109
Euro	**–**	**–**	**–**	(28 800)	–	2 460
		–	**–**		–	8 569
Net total		**38 016**	**1 045**		83 587	8 626
Maturing in:*						
2022					83 587	8 626
2023		**38 016**	**1 045**		–	–
		38 016	**1 045**		83 587	8 626
Grouped as:						
Financial assets			**3 111**			9 213
Financial liabilities			**(2 066)**			(587)
			1 045			8 626

* *Derivative instruments on average hold a maturity of three-months or less.*

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(e) Commodity price management

The following futures contracts cover commodity price risk on future sales. The requirement for hedge accounting were met in 2022 and 2021:

	2022			2021		
	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000
Forward purchases						
Maturing in:*						
2022				900	(39 159)	470
2023	–	–	–			
	–	–	–	900	(39 159)	470
Grouped as:						
Financial assets			–			596
Financial liabilities			–			(126)
			–			470

The group may enter into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures were hedge accounted for the period ended 2022 and 2021.

* *Derivative instruments on average hold a maturity of three-months or less.*

7.2 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with Category 1 London Metal Exchange brokers. Hulamin will only enter into currency hedges with the four major South African banks.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (under the hedging section of this note) and trade and other receivables (note 4.3).

7.3 Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, flexibility in funding is maintained through ensuring availability under committed credit lines. Management monitors rolling forecasts of the group's liquidity reserve, being the excess of available facilities over forecast net borrowings and available cash balances.

The group's facility utilisation (including cash reserves) at the period end was:

Note	2022 R'000	2021 R'000
Revolving working capital facility	**1 500 000**	1 200 000
General short-term facility	**400 000**	300 000
Current facilities	**1 900 000**	1 500 000
Non-current facilities	**–**	–
Total borrowing facilities	**1 900 000**	1 500 000
Less: indirect facilities allocated to letters of credit	**(150 000)**	–
	1 750 000	1 500 000
Utilised by:		
Current borrowings (Note 3.1)	**(916 839)**	(800 076)
Cash and cash equivalents (Note 4.1)	**81 294**	149 474
Committed undrawn direct facilities and cash	**914 455**	849 398

Hulamin's borrowing facilities include a general short-term facility of R400 million (2021: R300 million), of which R150 million has been allocated to a letter of credit facility. The total revolving working capital facilities is R1 900 million (2021: R1 500 million).

Financial liabilities with maturity dates within the next twelve months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

7. Financial risk management: measures to mitigate risk continued

7.3 Liquidity risk continued

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

	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
2021					
Current borrowings	800 076	–	–	–	800 076
Lease Liabilities	6 075	13 069	8 599	49 924	77 666
Trade and other payables (excluding employee benefit payables)	1 768 591	–	–	–	1 768 591
Derivative financial liabilities	695	–	–	–	695
	2 585 132	13 069	8 599	49 924	2 656 723
2022					
Current borrowings*	**916 839**	**–**	**–**	**–**	**916 839**
Trade and other payables (excluding employee benefit payables)	**1 703 454**	**–**	**–**	**–**	**1 703 454**
Lease liabilities	**12 501**	**16 486**	**11 152**	**44 616**	**84 755**
Derivative financial liabilities	**2 066**	**–**	**–**	**–**	**2 066**
	2 634 860	**16 486**	**11 152**	**44 616**	**2 707 114**

* *Borrowing facilities incur interest at variable rates. As fixed contractual terms are not known 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 R916 million (2021: R800 million) which are payable within a period of three months, including trade payables in the amount of R1 345 million (2021: R1.456 million). Trade receivables amounting to R1 125 million (2021: R1 259 million) are recoverable within a period of three months.

7.4 Capital risk management

For the purpose of the group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise the shareholder value and to safeguard its ability to continue as a going-concern and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

These objectives result in varying capital ratios, with current and future borrowings being evaluated against the group's expected operating cash flows and capital investment needs. Capital adequacy and liquidity are managed by monitoring gearing ratios, interest cover and debt service ratios.

The group's gearing ratio at the period end was as follows:

	Notes	2022 R'000	2021 R'000
Current borrowings	3.1	**916 839**	800 076
Lease liabilities (current and non-current)		**62 094**	52 923
Total borrowings		**978 933**	852 999
Less: Cash and cash equivalents	4.1	**(81 294)**	(149 474)
Net debt		**897 639**	703 524
Total equity		**3 233 061**	2 922 877
Total capital		**4 130 700**	3 626 401
Gearing ratio percentage (net debt over total capital)		**21.7**	19.4

In order to achieve this overall objective, the group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period. The groups cash flow forecasts also do not indicate a breach of covenants in the foreseeable future.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021. The gearing ratio increased to 21.7% (2021: 19.4%) at 31 December 2022. The targeted gearing ratio is 30%.

7.5 Hedge accounting

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There will be an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the group used the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The group uses forward exchange contracts to hedge its exposure to foreign currency. When hedge accounting is applied, the group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward element of the foreign currency forwards that relate to hedged items is recorded in profit or loss.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

7. Financial risk management: measures to mitigate risk continued

7.5 Hedge Accounting continued

(i) Classification of derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting requirements, they are classified as 'fair value through profit or loss'. They are presented as current assets or liabilities to the extent they are expected to be settled within 12-months after the end of the reporting period.

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

(ii) Derivatives and hedging activities

As part of its risk management strategy, the group has identified a series of risk categories with corresponding hedging strategies using derivatives.

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness. Transactions that are entered into in accordance with the group's hedging objectives, but which do not qualify for hedge accounting, are referred to in these financial statements as economic hedge relationships.

A cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss. If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

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.

A summary of the fair value of the group's financial instruments used to mitigate foreign exchange and commodity price risk is shown below

	2022 R'000	2021 R'000
Foreign currency management – probable forecast sales	**–**	8 568
Foreign currency management – firm commitments, trade debtors, creditors and import orders	**1 045**	58
Commodity price management	**–**	470
	1 045	9 096
Grouped as:		
Financial assets	**3 111**	9 791
Financial liabilities	**(2 066)**	(695)
	1 045	9 096

The credit quality of all derivative financial assets is sound and there have been no defaults in past years. None are overdue nor 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 2022 is R3.1 million (2021: R9.8 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 Tier 2 strategy was suspended for 2022 as it was not beneficial in relation to the external factors presented. The board will evaluate during the next financial year if the hedging strategy will be re-instated.

(iii) Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Spot component R'000	Cost of hedging R'000	Total hedge reserve R'000
Opening balance January 2021	1 724	–	1 724
Add: Change in fair value of hedging instrument recognised in OCI	32 430	–	32 430
Less: Costs of hedging deferred and recognised in OCI	–	(6 328)	(6 328)
Less: Reclassified to profit or loss – on hedge maturity	(34 354)	–	(34 354)
Add: Deferred tax	539	1 772	2 311
	339	(4 556)	(4 217)
Opening balance January 2022	**339**	**(4 556)**	**(4 217)**
Add/(Less): Costs of hedging deferred and recognised in OCI	**3 242**	**(23 057)**	**(19 815)**
(Less)/Add: Reclassified to profit or loss – on hedge maturity	**(3 712)**	**29 385**	**25 673**
Add/(Less): Deferred tax	**131**	**(1 772)**	**(1 641)**
Closing balance December 2022	**–**	**–**	**–**

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

7. Financial risk management: measures to mitigate risk continued

7.5 Hedge Accounting continued

(iv) Amount recognised in profit or (loss)

During the year the following amounts were recognised in profit or (loss) in relation to derivative instruments that were hedge accounted for:

	2022 R'000	2021 R'000
Hedge ineffectiveness of foreign currency forwards included in gains and losses on financial instruments relating to trading activities	–	4 558
Cash flow hedges included in revenue	**3 712**	29 796
	3 712	34 354

(v) Hedge ineffectiveness

Expected causes of hedge ineffectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging

8. Benefits and remuneration: our investment in our people

8.1 Share-based payments

(a) Employee schemes

The group's employee share incentive schemes are accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non-market vesting conditions.

Fair value is measured using the Monte Carlo Simulation, Black-Scholes and binomial tree valuation models.

(b) BEE transactions

BEE transactions where the group receives or acquires goods or services as consideration for the issue of equity instruments of the group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

(c) Information relating to employee share scheme grants continued

(i) Equity-settled Conditional Share Plan (Bonus shares)

Under the Equity-settled Conditional Share Plan (Bonus shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2021	Conditional awards granted in 2022	Conditional awards vested in 2022	Number of conditional awards at December 2022	Conditional time constrained
Nil	3.70	15 May 2019	1 407 162	**–**	**1 407 162**	**–**	**–**
Nil	3.10	14 December 2022	–	**2 395 696**	**–**	**2 395 696**	**2 395 696**
			1 407 162	**2 395 696**	**1 407 162**	**2 395 696**	**2 395 696**

The volume-weighted average share price during the year for Hulamin shares was R3.20 (2021: R2.81).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

		2019	2022
Share price at grant date	(R)	4.11	**3.10**
Risk-free interest rate	(%)	7.08	**7.77**
Expected volatility	(%)	N/A	**N/A**
Expected dividends	(%)	3.49	**1.50**
Expected remaining life (Months)	(months)	4	**36**
Contractual life (Months)	(months)	36	**36**

Vesting conditions:

- Time — Three years
- Non-market — None
- Market — None

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.1 Share-based payments continued

(c) Information relating to employee share scheme grants continued

(ii) Equity-settled Conditional Share Plan (Performance shares)

Under the Equity-settled Conditional Share Plan (Performance shares), participating employees are granted conditional awards. These awards are converted into shares in Hulamin on the achievement of Return on Capital Employed (ROCE) and Total Shareholders' Return (TSR) performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2021	Conditional awards granted in 2022	Conditional awards vested in 2022	Number of conditional awards at December 2022	Conditional time constrained
Nil	3.22	15 May 2019	1 072 377	–	1 072 377	–	–
Nil	0.68	20 August 2020	5 158 042	–	870 767	4 287 275	4 287 275
Nil	1.83	26 May 2021	7 989 921	–	1 848 111	6 141 810	6 141 810
Nil	2.96	14 December 2022	–	3 538 757		3 538 757	3 538 757
			14 220 340	3 538 757	3 791 255	13 967 842	13 967 842

The volume-weighted average share price during the year for Hulamin shares was R3.20 (2021: R2.81).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs.

		2019	2020	2021	2022
Share price at grant date	(R)	4.11	0.99	2.24	3.10
Risk-free interest rate	(%)	7.08	4.08	4.95	7.77
Expected volatility	(%)	41.63	57.93	65.68	N/A
Expected dividends	(%)	3.49	5.13	2.12	1.50
Expected remaining life	(months)	4	20	29	36
Contractual life	(months)	36	36	36	36

Vesting conditions:

- Time — Three years
- Non-market — ROCE weighted 100%
- Market — TSR weighted 0%

(iii) Equity-settled Conditional Share Plan (Retention shares)

Under the Equity-settled Conditional Share Plan (Retention shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2021	Conditional awards granted in 2022	Conditional awards vested in 2022	Number of conditional awards at December 2022	Conditional time constrained
Nil	3.93	2 December 2022	–	131 587	–	131 587	131 587
			–	131 587	–	131 587	131 587

The volume-weighted average share price during the year for Hulamin shares was R3.20 (2021: R2.81).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

		2022
Share price at grant date	(R)	3.00
Risk-free interest rate	(%)	7.97
Expected volatility	(%)	N/A
Expected dividends	(%)	1.55
Expected remaining life	(months)	35
Contractual life	(months)	36

Vesting conditions:

- Time — Three years
- Non-market — None
- Market — None

(vi) Amounts recognised in the statement of financial position are as follows:

	2022 R'000	2021 R'000
Employee Share-based payment reserve		
Balance at beginning of the year	48 170	57 321
Value of employee services	2 579	4 733
Settlement and forfeiture of employee share incentives	(12 151)	(13 884)
Balance at end of year	38 598	48 170

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.1 Share-based payments continued

(d) BEE Equity Transactions

(i) Strategic Partners

Hulamin concluded agreements with BEE partners in December 2020 to extend the original BEE transaction used to facilitate the acquisition of an equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing Strategic Partners.

The fair value of the transaction was determined using a Black Scholes valuation model using the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Expected option life	Five years	Five years and two months
Lock in period	Three years	N/A
Risk free rate	8.58%	5.00%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	50 months
Contractual life	60 months	62 months

Vesting conditions:

- Time Five years
- Non-market None
- Market Share price

(ii) Hulamin Employee Share Ownership Plan (ESOP)

The ESOP Trust subscribed for an additional 4 721 600 A3 shares in December 2020 and together with the existing 26 755 733 A2 ordinary shares forms part of the BEE transaction. 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.

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Risk free rate	8.58%	5%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	50 months
Contractual life	60 months	62 months

Note 3.4 (b) details the number of A ordinary shares issued and converted to listed ordinary shares as part of the BEE Transaction. Vesting conditions:

- Time Five Years and Two months
- Non-market None
- Market Share price

(iii) Isizinda Aluminium (Pty) Ltd (Isizinda)

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 was treated as a grant of an equity option. The fair value of the option at the grant date was R 1.1 million, which was determined on an indirect basis with reference to the intrinsic value of the business. As at 31 December 2020, Bingelela owned 117 472 shares (58.74%) in Isizinda and the Trust owned 5 056 shares (2.53%). The fair values of these share-based payments take into account an exercise price of Rnil. The closure of this Trust was completed in the first quarter of 2022.

(iv) Amounts recognised in the statement of financial position are as follows:

	2022 R'000	2021 R'000
BEE Reserve		
Balance at beginning of the year	**28 547**	24 576
Value of employee service	**3 924**	3 971
Balance at end of year	**32 471**	28 547

8.2 Retirement benefits

(a) Accounting policies and significant judgements

(i) Pension obligations

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

Contributions to defined contribution schemes are charged to profit or loss when incurred. The cost of providing benefits to the group's defined benefit plan are determined and provided using the projected unit credit actuarial valuation method. Remeasurements, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur.

Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the group statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. The plan remains in a sound financial position and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

(ii) Post-retirement medical aid benefits and retirement gratuities

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

(iii) Retirement Benefit Schemes

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(b) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R20.8 million (2021: R19 million) and were expensed during the year.

(c) Hulamin Pension Fund

During 2012, members and pensioners accepted an offer made by the fund to convert the benefits of all in-service members from defined benefit to defined contribution and to transfer the liabilities for the payment of pensions to an insurer. The group has no further exposure to actuarial or investment risk relating to the defined contribution section of the fund.

In addition to an enhancement of benefits granted by the fund to members and pensioners on conversion, the fund also provided certain members with a further benefit which targeted (but provided no guarantee of), at the date of conversion, equivalent benefits on retirement in terms of the defined contribution basis as would have been obtained had the member remained on the defined benefit basis (the "retirement benefit equalisation value").

Assets relating to the surplus apportionment to the company are held in the employer surplus account.

The company provides no guarantee in terms of the investment returns that are earned on members' retirement benefit equalisation values. The retirement benefit equalisation value benefit accrues with service and is therefore accounted for as a defined benefit plan in terms of IAS 19 (revised). The group holds no actuarial or investment risk relating to the retirement benefit equalisation value benefit.

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and assets in the employer surplus account was performed in accordance with IAS 19 (revised) at 31 December 2022. The next valuation will be performed at 31 December 2023.

	2022 R'000	2021 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account) Present value of funded obligations	**73 464**	72 701
Commodity price management	**(24 099)**	(25 388)
	49 365	47 313
(ii) Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**25 388**	17 241
Current service cost	**2 666**	2 028
Interest cost	**2 917**	2 136
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(3 021)**	2 582
Actuarial (gains)/losses arising from experience adjustments	**(2 268)**	1 795
Benefits paid	**(1 583)**	(394)
Defined benefit obligation at end of year	**24 099**	25 388

	2022 R'000	2021 R'000
(iii) Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:		
Fair value of plan assets at beginning of year	**72 701**	80 325
Interest income	**7 694**	7 885
Remeasurements:		
(Losses)/profit on plan assets, excluding amounts included in interest income	**(5 348)**	4 336
Contribution funded from employer reserves	**–**	(19 451)
Benefits paid	**(1 583)**	(394)
Fair value of plan assets at end of year	**73 464**	72 701
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**67 003**	68 232
Conservative portfolio	**384**	341
Money market and cash	**6 077**	4 128
	73 464	72 701
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**67 747**	68 834
(iv) The amounts recognised in the statement of profit or loss are as follows:		
Defined benefit plan (retirement benefit equalisation value)	**(2 111)**	(3 721)
Current service cost	**2 666**	2 028
Net interest income	**(4 777)**	(5 749)
Defined contribution plan	**1 583**	19 845
Employer contribution from reserves (utilisation of employer surplus account)	**–**	19 451
Employer cash contribution	**1 583**	394
	(528)	16 124

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued
8.2 Retirement benefits continued
(c) Hulamin Pension Fund continued

	2022 R'000	2021 R'000
(v) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains/(losses) arising from changes in financial assumptions	**(3 080)**	2 582
Actuarial gains/(losses) arising from experience adjustments	**(2 268)**	1 795
Gains/(losses) on plan assets, excluding amounts included in interest income	**5 348**	(4 336)
	–	41
The average duration of the benefit obligation at 31 December 2022 is 16.5 years (2021: 17.0 years).		
(vi) Principal actuarial assumptions at the end of the reporting period		
Discount rate (%)	**11.90**	10.70
Future inflation rate (%)	**6.30**	5.90
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(307)**	(377)
1% increase in discount rate – effect on the obligation	**(3 225)**	(3 587)
1% decrease in discount rate – effect on current service cost	**366**	455
1% decrease in discount rate – effect on the obligation	**3 841**	4 321

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

(d) Post-retirement Medical Aid Benefits

The group has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

There was a change in the future company subsidy increases for in-service members and pensioners who retired on or after 1 Jan 2016 is the greater of Consumer Price Index ("CPI") inflation plus 1% and the average annual salary increase granted by the Company to its active employees. The change in the subsidy increase assumption for in-service employees and pensioners who retired after 1 January 2016 to 6.9% compared to 5.9% actually used in the previous report. This change in assumption has resulted in an actuarial loss of 8.8million at 31 December 2022.

	2022 R'000	2021 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**177 760**	179 096
Liability in the balance sheet	**177 760**	179 096
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**179 096**	175 644
Change in accounting estimate	**8 746**	–
Total expense accrued	**20 592**	20 029
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(12 955)**	2 815
Actuarial (gains) arising from experience adjustments	**(989)**	(5 330)
Benefit payments	**(14 679)**	(14 062)
Balance at end of year	**179 811**	179 096
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**19 432**	18 985
Current service costs	**1 160**	1 044
	20 592	20 029
(iv) Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(12 955)**	2 815
Actuarial (gains) arising from experience adjustments	**(989)**	(5 330)
Actuarial loss arising from change in estimate	**8 746**	–
	(5 198)	(2 515)

Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to several risks, principally changes in:

Financial assumptions:

- Discount rate, which is set having regard to the market yield on suitable government bonds considering 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, considering the estimated duration of the liability.
- Medical inflation rate (medical subsidy rate)

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(d) Post-retirement Medical Aid Benefits continued

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. Principal actuarial assumptions at the end of the reporting period are as follows:

	2022 R'000	2021 R'000
Discount rate (%)	**11.90**	10.70
Future company subsidy rate – in service (%)	**6.30**	5.90
Future company medical subsidy increase – pensioners (%)	**8.05**	7.65
Sensitivity of future company subsidy rate:		
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs	**2 210**	2 072
1% increase in future company subsidy rate – effect on the obligation	**16 892**	17 585
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	**(1 914)**	(1 788)
1% decrease in future company subsidy rate – effect on the obligation	**(14 680)**	(15 240)
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(268)**	(135)
1% increase in discount rate – effect on the obligation	**(14 261)**	(14 618)
1% decrease in discount rate – effect on current service cost	**271**	112
1% decrease in discount rate – effect on the obligation	**16 612**	17 082

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

The average duration of the benefit obligation at 31 December 2022 is 9.5 years (2021: 9.8 years). This number is analysed as follows:

- Active members 16 years (2021: 16.6 years)
- Retired members 7.8 years (2021: 8.3 years)

	2022 R'000	2021 R'000
Estimated benefits payable by the group in the next financial year	**15 561**	14 786

(e) Retirement gratuities

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

	2022 R'000	2021 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**29 196**	28 885
Liability in the balance sheet	**29 196**	28 885
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**28 885**	27 255
Total expense accrued	**4 961**	4 672
Remeasurements:	**(1 596)**	(1 441)
Actuarial (gains) arising from changes in financial assumptions	**(2 129)**	(926)
Actuarial (gains)/losses arising from experience adjustments	**533**	(515)
Gratuity payments	**(3 054)**	(1 601)
Balance at end of year	**29 196**	28 885
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**3 212**	3 095
Service costs	**1 749**	1 577
	4 961	4 672
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial (losses) arising from changes in financial assumptions	**(2 129)**	(926)
Actuarial gains/(losses) arising from experience adjustments	**533**	(515)
	(1 596)	(1 441)

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(e) Retirement gratuities

(i) Principal risks

Through its retirement gratuity benefit, the group is exposed to several risks, principally changes in:

Financial assumptions:

- Discount rate, which is set having regard to the market yield on suitable government bonds considering 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, considering 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.

Principal actuarial assumptions at the end of the reporting period are as follows:

	2022 R'000	2021 R'000
Discount rate (%)	**11.90**	10.70
Future salary inflation rate (%)	**6.30**	5.90
Sensitivity of future salary inflation rate:		
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs	**565**	566
1% increase in future salary inflation rate – effect on the obligation	**2 894**	3 017
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs	**(498)**	(491)
1% decrease in future salary inflation rate – effect on the obligation	**(2 565)**	(2 665)

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

The average duration of the benefit obligation at 31 December 2022 is 9.9 years (2021: 10.4 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1.2 million (2021: R1.2 million).

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued

8.3 Directors' remuneration and interest

8.3.1 Directors' remuneration

(i) Directors' and prescribed officer's remuneration during the 2022 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Retirement and related payments Rand	Bonus payments Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand
Non-executive										
TP Leeuw	602 038	443 240	–	–	–	–	–	1 045 278	–	1 045 278
VN Khumalo (note 3)	274 570	176 870	–	–	–	–	–	451 440	–	451 440
SP Ngwenya	233 453	140 280	–	–	–	–	–	373 733	–	373 733
GH Watson (note 4)	390 500	227 177	–	–	–	–	–	617 677	–	617 677
N Maharajh	386 910	243 580	–	–	–	–	–	630 490	–	630 490
CA Boles	351 277	262 740	–	–	–	–	–	614 017	–	614 017
B Mehlomakulu	377 811	261 500	–	–	–	–	–	639 311	–	639 311
RL Larson	571 444	402 923	–	–	–	–	–	974 367	–	974 367
	3 188 003	2 158 310	–	–	–	–	–	5 346 313	–	5 346 313
Executive										
RG Jacob (note 5)	–	–	4 168 350	4 660 827	575 171	143 313	520 425	10 068 086	–	10 068 086
GH Watson (note 4)	–	–	3 135 889	–	–	93 195	–	3 229 084	–	3 229 084
M Gounder	–	–	3 100 600	–	653 418	156 530	386 750	4 297 298	1 208 039	5 505 337
	–	–	10 404 839	4 660 827	1 228 589	393 038	907 175	17 594 468	1 208 039	18 802 507
	3 188 003	2 158 310	10 404 839	4 660 827	1 228 589	393 038	907 175	22 940 781	1 208 039	24 148 820

Note 1 Retirement costs include notice pay, leave pay and gratuity on retirement.

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 GH Watson resigned from the Board as a Non-Executive Director with effect from 3 August 2022 and was appointed Interim CEO with effect from 4 August 2022.

Note 5 Mr RG Jacob retired with effect from 30 September 2022. Refer to note 1.

Executive Committee members' remuneration (excluding acting executive committee members) during the 2022 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	22 282 568	2 873 917	1 238 227	2 787 089	29 181 801	5 896 783	35 078 584	–

Note 1 Excluding executive directors.

Note 2 The bonus payments reflected above are in relation to the 2022 year, paid in 2021/2022.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. Benefits and remuneration: our investment in our people continued
8.3 Directors' remuneration and interest
8.3.1 Directors' remuneration continued

(ii) Directors' and prescribed officer's remuneration during the 2021 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus payments Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted (Note 1) Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
TP Leeuw	579 728	502 720	–	–	–	–	1 082 448	–	1 082 448	–
VN Khumalo (note 2)	264 402	210 920	–	–	–	–	475 322	–	475 322	–
SP Ngwenya	224 805	163 250	–	–	–	–	388 055	–	388 055	–
GHM Watson	683 721	485 187	–	–	–	–	1 168 908	–	1 168 908	–
N Maharajh	351 926	265 870	–	–	–	–	617 796	–	617 796	–
CA Boles	338 265	298 750	–	–	–	–	637 015	–	637 015	–
B Mehlomakulu	346 844	264 561	–	–	–	–	611 405	–	611 405	–
RL Larson	516 559	397 413	–	–	–	–	913 972	–	913 972	–
	3 306 250	2 588 671	–	–	–	–	5 894 921	–	5 894 921	–
Executive										
RG Jacob			5 293 440	3 904 935	122 850	660 855	9 982 080	2 042 690	12 024 769	287 064
M Gounder (note 3)			2 164 950	1 420 134	110 741	270 000	3 965 825	958 199	4 924 024	–
LM Farquharson (note 4)			650 400	395 499	48 652	81 113	1 175 664	–	1 175 664	–
	–	–	8 108 790	5 720 568	282 243	1 011 968	15 123 569	3 000 889	18 124 457	287 064
	3 306 250	2 588 671	8 108 790	5 720 568	282 243	1 011 968	21 018 490	3 000 889	24 019 337	287 064

Note 1 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.

Note 2 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.

Note 3 Mr M Gounder was appointed CFO with effect from 1 April 2021

Note 4 Mr L M Farquharson was appointed in a temporary capacity as CFO to 31 March 2021.
Remuneration is disclosed for 3 months only, the balance in the table below.

Executive Committee members' remuneration (excluding acting executive committee members) during the 2021 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	8 439 014	9 789 076	306 249	1 041 209	19 575 548	2 357 840	12 933 388	866 249

Note 1 Excluding executive directors.
Note 2 The bonus payments reflected above are in relation to the 2021 year, paid in 2021/2022.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

8. **Benefits and remuneration: our investment in our people** continued

8.3 Directors' remuneration and interest

8.3.2 Interest of directors and prescribed officers in share-based instruments

(i) Employee Conditional Share Plan (Bonus share)

	Number of conditional awards at December 2021	Number of conditional awards exercised in 2022	Number of conditional awards granted in 2022	Number of conditional awards exercised in 2022	Number of conditional awards at December 2022	Conditional awards time constrained
Executive directors						
M Gounder	–		**135 976**	–	**135 976**	**135 976**
	–	–	**135 976**	–	**135 976**	**135 976**

Grant price R3.10
Grant date 14 Dec 2022

(ii) Employee Conditional Share Plan (Performance shares)

	Number of conditional awards granted in 2021	Number of conditional awards at December 2021	Number of conditional awards exercised in 2022	Number of conditional awards granted in 2022	Number of conditional awards lapsed in 2022	Number of conditional awards at December 2022	Conditional awards time constrained
Executive directors							
M Gounder	**523 606**	**523 606**	–	**265 714**		**789 320**	**789 320**
	523 606	**523 606**	–	**265 714**	–	**789 320**	**789 320**

Grant price	R2.24	R3.10
Grant date	26 May 2021	14 Dec 2022

8.3.3 Interest of directors and prescribed officers of the company in share capital

The aggregate holdings as at 31 December 2022 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2022	Direct beneficial shares	Indirect beneficial shares	Shares total
Executive			
GHM Watson		**119 137**	**119 137**
	–	–	**119 137**
Non-executive			
C A Boles	**60 000**		**60 000**
TP Leeuw		**70 000**	**70 000**
	60 000	**70 000**	**130 000**
Total	**60 000**	**70 000**	**249 137**

As at 31 December 2021	Direct beneficial shares	Indirect beneficial shares	Shares total
Executive			
RG Jacob	928 432	–	928 432
	928 432	–	928 432
Non-executive			
C A Boles	60 000		60 000
GHM Watson	27 763	–	27 763
	87 763	–	87 763
Total	1 016 195	–	1 016 195

9. Other: detailed disclosure requirements

9.1 Net finance costs

	2022 R'000	2021 R'000
Interest expense	**102 211**	64 825
Current borrowings interest	**98 564**	63 434
Interest on lease liabilities	**5 404**	5 063
Interest capitalised	**(1 757)**	(3 673)
Interest income	**(10 755)**	(9 356)
Net finance costs	**91 456**	55 469

9.2 Deferred tax

Deferred tax is provided on temporary differences arising between tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

The Hulamin Group's rate of tax will change from 28% to 27% with effect from 1 January 2023. The deferred tax assets and liabilities have been computed at the tax rate of 27%.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

9. Other: detailed disclosure requirements continued
9.2 Net finance costs continued

	2022 R'000	2021 R'000
Deferred tax asset		
At beginning of year	**129 586**	15 449
Statement of profit or loss:		
Current year credit/(charge)	**(13 014)**	46 970
Change in tax rate adjustment	**(3 247)**	–
Prior year credit/(charge)	**(3 825)**	67 101
Deferred tax charge in other comprehensive income	**(3 391)**	768
Balance transferred from deferred tax liabilities	**–**	(702)
At end of year	**106 109**	129 586
Comprising:		
Fixed assets	**(20 422)**	(2 939)
Retirement benefit obligations and other provisions	**55 528**	57 496
Provisions and leave accrual	**41 566**	38 663
Lease liabilities	**17 579**	16 064
Right-of-use asset	**(14 936)**	(11 908)
Share schemes	**1 800**	3 539
Assessed loss	**13 057**	14 710
Other	**11 937**	13 961
	106 109	129 586
Deferred tax asset to be recovered after more than 12 months	**42 654**	118 214
Deferred tax asset to be recovered within 12 months	**63 455**	11 372
	106 109	129 586

For the year ended 31 December 2022, the group had both assessed losses and deductible temporary differences for which a deferred tax asset was recognised as there was sufficient taxable temporary differences and sufficient taxable profits in future to absorb a portion of the tax asset.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. During the 31 December 2022 period, based on an assessment of future cash flows and taxable profits, management is of the view that there are sufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and, as a result, the group has recognised R140.1 million (2021: R142.3 million) deferred tax assets.

The group's unrecognised assessed loss as at 31 December 2022 is R38.5 million (FY2021: R32.5m)

	2022 R'000	2021 R'000
Deferred tax liability		
At beginning of year	**902**	2 070
Statement of profit or loss:		
Current year credit/(charge)	**572**	(464)
Balance transferred from deferred tax liability	**–**	(704)
At end of year	**1 474**	902
Comprising:		
Provisions and leave pay accruals	**–**	902
Derivative instruments – not designated as hedging instruments	**1 474**	–
	–	902
Deferred tax liability to be recovered after more than 12 months	**1 474**	–
Deferred tax liability to be recovered within 12 months	**–**	902
	1 474	902

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

9. **Other: detailed disclosure requirements** continued

9.3 Taxation

9.3.1 Income tax expense

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.

Non-deductible expenses for the current and comparative year comprise of legal and professional expenses incurred in respect of capital projects.

		2022 R'000	2021 R'000
South African normal taxation:			
Current			
Current year charge		**120 005**	7 300
Prior year under/(over) provision		**(201)**	(3 749)
Deferred			
Current year (credit)/charge		**13 202**	(112 571)
Change in tax rate adjustment		**3 246**	–
Prior year (over)/under provision		**3 825**	(1 965)
		140 077	(110 985)
Foreign capital gains tax		**–**	–
		140 077	(110 985)
South African income tax is levied on the company and its subsidiaries and not the group.			
Tax rate reconciliation			
Normal rate of taxation	%	**28.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**(0.2)**	(0.7)
Prior year over provision	%	**0.8**	(14.8)
Expenses not deductible for tax purposes	%	**0.6**	2.2
Income not taxable for tax purpose	%	**–**	(0.9)
Provision for uncertain tax positions	%	**–**	0.5
Capital gains tax	%	**–**	(2.0)
Change in tax rate adjustment	%	**0.7**	–
Deferred tax asset not recognised	%	**1.9**	(35.5)
Effective rate of taxation		**31.8**	(23.1)

9.3.2 Income tax liability

	2022 R'000	2021 R'000
Balance at the beginning of the year	**5 735**	(12 873)
Current tax raised for the year	**119 404**	3 376
Tax (paid)/refunded	**(41 017)**	15 232
Balance at end of the year	**84 122**	5 735

9.4 Related party transactions

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Further details of such transactions and balances can be found in the Company financial statements. Details of transactions between the group and the pension fund are disclosed below:

	2022 R'000	2021 R'000
Lease rental expense paid to joint venture	**3 432**	3 432
Utilities and services charge paid to joint venture	**11 857**	10 551
Balance due from Isizinda (note 6.1)	**74 213**	78 803
(Reversal of impairment)/ Impairment of loan to Isizinda	**–**	(14 932)
Interest income from Isizinda	**7 072**	5 593

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. There are no contracts with key management personnel except as detailed in note 8.3.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

9. **Other: detailed disclosure requirements** continued

9.5 Financial assets and financial liabilities

The group holds the following financial instruments:

	Note	Financial instruments at amortised cost R'000	Financial instruments at fair value through profit or loss R'000	Derivatives applied under hedge accounting R'000	Total R'000
2022					
Financial assets – current					
Trade and other receivables	4.3(b)	**1 409 270**	**–**	**–**	**1 409 270**
Derivative financial assets	7.1(d)	**–**	**3 107**	**–**	**3 107**
Cash and cash equivalents	4.1	**81 294**	**–**	**–**	**81 294**
		1 490 564	**3 107**	**–**	**1 493 671**
Financial assets – non-current					
Investment in insurance arrangement	5.4	**–**	**5 802**	**–**	**5 802**
Other assets (customs cash deposit)	5.4	**33 926**	**–**	**–**	**33 926**
		33 926	**5 802**	**–**	**39 728**
Financial liabilities – current					
Trade and other payables	4.4	**1 814 962**	**–**	**–**	**1 814 962**
Borrowings	3.1	**916 839**	**–**	**–**	**916 839**
Lease liabilities	3.2	**15 379**	**–**	**–**	**15 379**
Derivative financial instruments	7.1(d)	**–**	**2 066**	**–**	**2 066**
		2 747 180	**2 066**	**–**	**2 749 246**
Financial liabilities – non-current					
Lease liabilities	3.2	**46 715**	**–**	**–**	**46 715**
		46 175	**–**	**–**	**46 175**

	Note	Financial instruments at amortised cost R'000	Financial instruments at fair value through profit or loss R'000	Derivatives applied under hedge accounting R'000	Total R'000
2021					
Financial assets – current					
Trade and other receivables	4.3(b)	1 442 901	–	–	1 442 901
Derivative financial assets	7.1(d)	–	644	9 147	9 791
Cash and cash equivalents	4.1	149 474	–	–	149 474
		1 592 375	644	9 147	1 602 166
Financial assets – non-current					
Other assets (customs cash deposit)	5.4	32 150	–	–	32 150
		32 150	–	–	32 150
Financial liabilities – current					
Trade and other payables	4.4	1 892 276	–	–	1 892 276
Borrowings	3.1	800 076	–	–	800 076
Lease liabilities	3.3	11 467	–	–	11 467
Derivative financial instruments	7.1(d)	–	587	108	695
		2 703 819	587	108	2 704 513
Financial liabilities – non-current					
Lease liabilities	3.3	41 456	–	–	41 456
		41 456	–	–	41 456

The group's exposure to various risks associated with the financial instruments is discussed in note 7. The associated inputs to the fair value calculation, where applicable, is provided in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above. All other non-financial assets and liabilities are disclosed in their respective notes.

Notes to the consolidated financial statements continued
for the year ended 31 December 2022

10. Restatement and representation of the financial results for the year ended 31 December 2022

The group continued with their ongoing assessment of financial internal controls in 2022 which included an assessment of the existing accounting practices and policies. The group identified an error in its classification of certain items of strategic spares as Inventory instead of Property, Plant & Equipment. Accordingly, the group corrected this error by reclassifying the identified items of Strategic Spares from Inventory (IAS 2) to Property, plant and equipment in accordance with IAS 16.

The reclassification was limited to strategic spares not expected to be used within a year of being available for use and as such were reclassified to Property, Plant and Equipment. The reclassification further resulted in reclassification between categories within the Statement of Cashflows i.e., cash generated from operating activities to investing activities. The resultant restatement had no impact on the previously reported Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The restatement was performed in accordance with IAS 1: Presentation of Financial Statements and is detailed in note 10 of the audited Group annual financial statements for the year ended 31 December 2022.

		Consolidated 2021			Consolidated 2020		
	Notes	Previously reported balance R'000	Reclassification R'000	Restated balance R'000	Previously reported balance R'000	Reclassification R'000	Restated balance R'000
ASSETS							
Non-current assets							
Property, plant and equipment	5.1	**889 037**	**17 733**	**906 770**	813 097	11 961	825 058
Right-of-use assets	5.2	**37 476**		**37 476**	44 550		44 550
Intangible assets	5.3	**34 875**		**34 875**	33 162		33 162
Retirement benefit asset	8.2(c)	**47 313**		**47 313**	63 084		63 084
Deferred tax asset	9.2	**129 586**		**129 586**	15 449		15 449
Other assets	5.4	**32 150**		**32 150**	8 482		8 482
Investments accounted for using the equity method	6.1(d)	**74 980**		**74 980**	58 635		58 635
		1 245 417	**17 733**	**1 263 150**	1 036 459	11 961	1 048 420
Current assets							
Inventories	4.2	**3 033 830**	**(17 733)**	**3 016 097**	2 291 860	(11 961)	2 279 899
Trade and other receivables	4.3(b)	**1 442 901**		**1 442 901**	1 097 335		1 097 335
Derivative financial assets	7.1(d)	**9 791**		**9 791**	7 708		7 708
Cash and cash equivalents	4.1	**149 474**		**149 474**	38 045		38 045
Other assets	5.4	**–**		**–**	4 523		4 523
Income tax asset	9.3	**102**		**102**	12 873		12 873
		4 636 098	**(17 733)**	**4 618 365**	3 452 344	(11 961)	3 440 383
Non-current assets classified as held for sale	6.2	**–**	**–**	**–**	14 250		14 250
Total assets		**5 881 515**	**–**	**5 881 515**	4 503 053	–	4 503 053

Total equity and total liabilities were not affected by the restatement.

Notes to the consolidated financial statements continued

for the year ended 31 December 2022

10. Restatement and representation of the financial results for the year ended 31 December 2022 continued

	Notes	2021 Previously reported balance R'000	2021 Reclassification R'000	2021 Restated balance R'000	2020 Previously reported balance R'000	2020 Reclassification R'000	2020 Restated balance R'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Cash generated from operations	A	**288 158**	**5 775**	**293 933**	(280 184)	11 961	(268 223)
Interest paid		**(68 382)**		**(68 382)**	(60 438)		(60 438)
Interest received		**3 763**		**3 763**	8 358		8 358
Income taxes refund/(paid)		**15 232**		**15 232**	(28 231)		(28 231)
Net cash inflow from operating activities		**238 771**	**5 775**	**244 546**	(360 495)	11 961	(348 534)
CASH FLOWS FROM INVESTING ACTIVITIES							
Additions to property, plant and equipment	5.1	**(141 844)**	**(5 775)**	**(147 619)**	(131 432)	(11 961)	(143 393)
Additions to intangible assets	5.3	**(12 599)**		**(12 599)**	(8 848)		(8 848)
Proceeds on disposal of property, plant and equipment		**55 000**		**55 000**	–		–
Proceeds from repayments of loan granted to investment accounted for using equity method		**1 893**		**1 893**	20 496		20 496
Proceeds from other assets (lease receivable)					2 950		2 950
Net cash outflow from the group as a result of loss in control of Isizinda					(7 346)		(7 346)
Net cash outflow from investing activities		**(97 550)**	**(5 775)**	**(103 325)**	(124 180)	(11 961)	(136 141)
Cash flows before financing activities ("free cash flow")		**141 221**	**–**	**141 221**	(484 675)	–	(484 675)

Company statement of financial position

as at 31 December 2022

	Notes	2022 R'000	2021 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	4.1	**2 606 155**	2 618 865
Deferred tax asset	6.1	**12 892**	14 633
		2 619 047	2 633 498
Current assets			
Trade and other receivables	6.4	**132**	–
		132	–
Total assets		**2 619 179**	2 633 498
EQUITY			
Stated capital	3.1	**1 877 644**	1 877 644
BEE reserve		**38 087**	34 163
Employee share-based payment reserve		**31 871**	37 054
Retained earnings		**623 821**	622 806
Total equity		**2 571 423**	2 571 667
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid benefits	5.1	**47 756**	52 262
		47 756	52 262
Current liabilities			
Trade and other payables		**–**	9 569
		–	9 569
Total liabilities		**47 756**	61 831
Total equity and liabilities		**2 619 179**	2 633 498

Company statement of profit or loss and other comprehensive income

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
Revenue from contracts with customers		**16 702**	14 173
Interest income		**–**	17
Interest expense		**(753)**	–
Administrative and other expenses	2.2	**(16 703)**	(33 932)
Operating (loss)/profit before taxation		**(754)**	(19 742)
Taxation	6.2	**(792)**	(226)
Net (loss)/profit for the year attributable to equity holders of the company		**(1 546)**	(19 968)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:		**2 561**	271
Remeasurement of post-retirement medical obligation	5.1	**3 557**	376
Income tax effect		**(996)**	(105)
Total comprehensive (loss)/profit for the year attributable to equity holders of company		**1 015**	(19 697)

Company statement of changes in equity

for the year ended 31 December 2022

	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 2020	1 877 597	37 386	30 239	642 503	2 587 725
Net (loss) for the year	–	–	–	(19 968)	(19 968)
Other total comprehensive income for the year after tax	–	–	–	271	271
Value of employee services of subsidiaries – net of forfeiture	–	(332)	3 924	–	3 592
Issue of A3 share capital	47	–	–	–	47
Balance at 31 December 2021	1 877 644	37 054	34 163	622 806	2 571 667
Net (loss) for the year	**–**	**–**	**–**	**(1 546)**	**(1 546)**
Other total comprehensive income for the year after tax	**–**	**–**	**–**	**2 561**	**2 561**
Value of employee services of subsidiaries – net of forfeiture	**–**	**(5 183)**	**3 924**	**–**	**(1 259)**
Balance at 31 December 2022	**1 877 644**	**31 871**	**38 087**	**623 821**	**2 571 423**

Company cash flow statement

for the year ended 31 December 2022

	Notes	2022 R'000	2021 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated/(utilised) before working capital changes	A	**(6 478)**	23 051
Income taxes refund/(paid)		**–**	1 697
Post-retirement medical aid benefits paid		**(6 234)**	(6 179)
Net cash inflow/(outflow) from operating activities		**(12 712)**	18 569
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase)/decrease in investments in subsidiaries	4.1	**12 712**	(18 569)
Cash flows inflow/(outflow) before investing activities		**12 712**	(18 569)
Net (decrease)/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/(UTILISED) BEFORE WORKING CAPITAL CHANGES			
Operating (loss)/profit before taxation		**(754)**	(19 742)
Adjusted for:			
Post-retirement medical aid actual expense	5.1	**5 236**	5 371
Value of employee services received under share schemes		**(1 259)**	3 592
Cash (used)/generated before working capital changes		**3 223**	(10 779)
Changes in working capital	B	**(9 701)**	33 830
Cash generated/(utilised) from operations		**(6 478)**	23 051
B: CHANGES IN WORKING CAPITAL			
Decrease/(increase) in trade and other receivables		**(132)**	24 360
Increase/(decrease) in trade and other payables		**(9 569)**	9 470
		(9 701)	33 830

Cash flow movements above represents expenditure settled on behalf of Hulamin Limited by subsidiary, Hulamin Operations (Pty) Ltd.

Notes to the company financial statements

for the year ended 31 December 2022

1. General

1.1 Basis of preparation

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

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2 to the group financial statements all of which had no material impact on the company's reported results or financial position.

The separate financial statements are prepared using the historical cost basis except as set out in the accounting policies which follow (see the accounting policy relating to share based payments).

The financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.9 of the Group financial statements for reference to the going-concern assessment).

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

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

1.2 Accounting for assets and liabilities

Recognition of assets and liabilities

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

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

Derecognition of assets and liabilities

Financial assets or parts thereof are derecognised when the contractual rights to receive the cash flows have expired, been transferred and or control has passed.

All other assets are derecognised on disposal or they no longer meet the definition of an "asset" as prescribed by the Framework. Financial liabilities are derecognised when the relevant obligation has either been discharged, cancelled or has expired.

1.3 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:

1.3.1 Post-employment benefit obligations

Actuarial valuations of post-employment benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, healthcare costs, mortality rates, family statistics, inflation rates and salary increments. Management experts are used to assist with valuations of post-employment benefit obligations. Refer note 5.1.

1.3.2 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 business plan.

1.3.3 Provision for expected credit losses of intercompany loans

The company determines the maximum period over which expected impairment losses should be measured as the longest contractual period where an entity is exposed to credit risk. In the case of loans repayable on demand, the contractual period is the very short period needed to transfer cash once demanded.

In a scenario where the subsidiaries have sufficient highly available liquid assets to repay the loan, the credit losses are likely to be very close to zero. Judgement is required to determine whether a borrower has available facilities at reporting dates to determine the magnitude of the allowance which should be raised.

If the subsidiaries are unable to immediately repay the loan if demanded by Hulamin, Hulamin might expect that it would maximise recovery of the loan by allowing the subsidiary time to pay, instead of forcing the borrower to liquidate or sell some or all of its assets to repay the loan immediately. Management considers the general 3-stage general impairment model in determining the magnitude of the impairment:

- Probability of default: The likelihood that the borrower would not be able to repay in the very short-term payment period.
- Loss given default: That is, the loss that occurs if the borrower is unable to repay in that very short payment period.
- Exposure at default: That is, the outstanding balance at the reporting date.

If the subsidiary at reporting date does not have sufficient liquid assets available, Hulamin will need to determine what its recovery scenarios are to determine the exposure at default. Management has considered that they will not require a 'fire sale' of the assets but would allow the subsidiary time to settle the debt based on the free cash flows generated from the latest business plan for the entity.

Management will adopt a 'repay over time' strategy. Management will utilise future cash flow forecasts to determine the necessary time required to repay the loan and as such, the loss given default would be limited to the effect of discounting the amount due on the loan.

1.4 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that there are no adjusting events as determined in accordance with IAS 10, 'Events after the reporting period' exist.

Notes to the company financial statements continued
for the year ended 31 December 2022

2. Performance

2.1 Measures used to assess performance

2.1.1 Revenue from contracts with customers

Revenue of the company comprises management fees and agency fees earned from related companies within the group. Management and agency fees are earned from Hulamin Operations Proprietary Limited.

Management fees are earned on expenditure incurred such as consulting fees, directors' fees, etc. Revenue is measured at the transaction price.

Management and agency fees are recognised as the services are performed and this is a monthly charge.

2.1.2 Interest income

Interest income comprises interest earned on loan to subsidiary. Interest income is accrued on a time basis using the effective interest rate method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.2 Expenses by nature

	2022 R'000	2021 R'000
Post-employment medical aid costs	**4 426**	4 699
Other costs	**6 808**	23 338
	11 234	28 037
Directors' emoluments		
Non-executives' fees	**5 469**	5 895
	5 469	5 895
	16 703	33 932

3. Debt/equity: Measures to assess group leverage

3.1 Share capital and share premium

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

Authorised

800 000 000 ordinary shares of no par value (2021: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2021: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2021: 36 072 000 ordinary shares of no par value)

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 shares.

The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

	2022 R'000	2021 R'000
Ordinary shares		
Opening balance: 324 318 436 ordinary shares of no par value (2021: 324 318 436 ordinary shares of no par value)	**1 817 627**	1 817 627
Issued during the year: Nil (2021: Nil) Conversion of 4 721 600 A1 ordinary shares to ordinary shares during the year (2021: 4 721 600)	**–**	–
A ordinary shares		
Opening balance and closing balance: 26 755 733 A2 shares and 4 721 600 A3 shares of no par value (2021: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**59 656**	59 656
B ordinary shares		
Opening balance and closing balance: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2021: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
	1 877 644	1 877 644

A and B ordinary shares

All A ordinary shares and B ordinary shares have voting rights which rank *pari passu* with ordinary shares.

A3 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 of the group financial statements.

Under the control of the directors:

At 31 December 2022, 6 801 529 unissued ordinary shares (2021: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes.

Notes to the company financial statements continued
for the year ended 31 December 2022

3. Debt/equity: Measures to assess group leverage continued

3.1 Share capital and share premium continued

Issued shares movement schedule

	2022 Number	2021 Number
Ordinary shares:		
Opening balance	**324 318 436**	324 318 436
Movement	**–**	–
Closing balance	**324 318 436**	324 318 436
A ordinary shares:		
Opening balance	**31 477 333**	26 755 733
Movement	**–**	4 721 600
Closing balance	**31 477 333**	31 477 333
B ordinary shares:		
Opening balance	**36 072 000**	36 072 000
Movement	**–**	–
Closing balance	**36 072 000**	36 072 000

4. Investments: Investments in subsidiaries and joint venture

4.1 Investment in subsidiaries

Subsidiaries are all entities over which the group has control, generally accompanying a shareholding of more than one half of the voting rights.

The company financial statements recognise interests in subsidiaries, which include loans granted to subsidiaries by the company, at cost, except in the case of certain limited group reorganisations where net assets are disposed. In these instances, interests in subsidiaries will be based on the carrying amount of the net assets disposed.

The company applied the expected credit loss model in considering the loss allowance required at the respective year end. The maximum period over which expected loss allowances should be measured is the longest contractual period over which the company is exposed to credit risk. As the loan is repayable on demand, the exposure to credit risk is the period between an assumed demand at the financial year- end and the period it would take the subsidiary to settle the outstanding balance. The company is therefore not exposed to credit risk and no loss allowance has been provided for on the outstanding loan balance.

	2022 R'000	2021 R'000
Investment in shares in subsidiaries	**1 647 700**	1 645 738
Loan to subsidiary	**958 453**	973 127
	2 606 153	2 618 865

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares issued by Hulamin Operations Proprietary Limited.

No impairment (2021: Nil) was recognised on the loan to subsidiary in the current year as the carrying amount of the investee's assets exceeded the carrying amount of the investment. The carrying value of the loan approximates fair value.

The effective interest rate on the loan to subsidiary for the year was 0% variable interest (2021: 0%). No repayment terms have been set, and consequently no portion of the loan is considered past due.

The loan to subsidiary is subordinated in favour of Nedbank as security for group borrowings.

The company holds the following direct and indirect investments:

	Country of incorporation	Percentage equity interest 2022	Percentage equity interest 2021	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	**South Africa**	**100**	**100**	**Dormant**
Hulamin Containers (Pty) Ltd*	**South Africa**	**100**	**100**	**Container fabricator**
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**	**–**	**–**	**Sales office**
Joint venture				
Isizinda Aluminium (Pty) Ltd** (refer to note 6.1(d))	**South Africa**	**38.7**	**38.7**	**Property owning company**

* *Subsidiaries of Hulamin Operations (Pty) Ltd.*
** *Isizinda is a joint venture entered into by Hulamin Operations (Pty) Ltd.*

Notes to the company financial statements continued
for the year ended 31 December 2022

5. Benefits and remuneration: Our investment in employees

5.1 Post-retirement medical aid benefits

The company has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

	2022 R'000	2021 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**47 756**	52 262
Liability in the statement of financial position	**47 756**	52 262
The liability can be reconciled as follows:		
Balance at beginning of year	**52 262**	53 446
Total expense accrued	**5 236**	5 371
Remeasurements:		
Actuarial(gains)/losses arising from changes in financial assumptions	**(2 312)**	2 187
Actuarial (gains) arising from changes in experience adjustments	**(1 196)**	(2 563)
Benefit payments	**(6 234)**	(6 179)
Balance at end of year	**47 756**	52 262
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**5 236**	5 371
	5 236	5 371
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(2 312)**	2 187
Actuarial (gains) arising from experience adjustments	**(1 196)**	(2 563)

Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to several 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 (company subsidy rate)

Demographic assumptions

- Post-retirement mortality
- Family statistics

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year. Changes in the principal financial assumptions are detailed below.

Principal financial assumptions:

		2022	2021
Discount rate	(%)	**11.90**	10.70
Future company subsidy rate – in service	(%)	**6.30**	5.90
Future company subsidy rate – pensioners	(%)	**8.05**	7.65

Sensitivity of future medical inflation rate

	2022 R'000	2021 R'000
1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs	**342**	240
1% increase in future medical inflation rate – effect on the obligation	**2 874**	3 506
1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs	**(310)**	(473)
1% decrease in future medical inflation rate – effect on the obligation	**(2 604)**	(3 156)
The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity, the same method has been applied as when calculating the liability recognised within the statement of financial position. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year. The average duration of the benefit obligation at 31 December 2022 is 6.2 years (2021: 7.2 years).	**6.2**	7.2
Estimated benefits payable by the company in the next financial year	**6 717**	6 652

Notes to the company financial statements continued
for the year ended 31 December 2022

6. Other: Other detailed disclosure requirements

6.1 Deferred tax

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

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

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

During the 31 December 2022 period, based on an assessment of future cash flows and taxable profits, management is of the view that there are sufficient future taxable profits and taxable temporary differences to utilise a portion of the deferred tax asset and, as a result, the group has recognised R14.6 million deferred tax assets.

The group's unrecognised assessed loss as at 31 December 2022 is R1.5 million.

	2022 R'000	2021 R'000
Deferred tax asset		
At beginning of year	**14 633**	14 965
Deferred tax in the statement of profit or loss:		
Current year charge	**(279)**	(226)
Change in tax rate adjustment	**(513)**	
Deferred tax credit on other comprehensive items	**(949)**	(106)
At end of year	**12 892**	14 633
Comprising:		
Post-retirement medical aid provision	**12 892**	14 633
Assessed loss	**–**	–
	12 892	14 633
Deferred tax asset to be recovered after more than 12 months	**12 892**	14 633
Deferred tax asset to be recovered within 12 months	**–**	–
	12 892	14 633

6.2 Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

		2022 R'000	2021 R'000
South African normal taxation:			
Current			
Current year		**–**	–
Prior year under/(over) provision		**–**	–
Deferred			
Change in tax rate adjustment		**523**	–
Current year		**269**	226
		792	226
Tax rate reconciliation			
Normal rate of taxation	%	**28.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**–**	–
Deferred tax-reduction in deferred tax asset not recognised		**(35.8)**	(7.8)
Change in tax rate adjustment		**(69.4)**	
Expenses not deductible for tax purposes	%	**(28.0)**	(21.4)
Effective rate of taxation		**(105.2)**	(1.1)

6.3 Related party transactions

The related parties to the company include all transactions between the company and its subsidiary Hulamin Operations (Pty) Ltd.

The nature of the related party transactions with Hulamin Operations (Pty) Ltd, in the ordinary course of business, are reflected below:

	2022 R'000	2021 R'000
Agency fees received from subsidiary	**–**	104
Management fees received from subsidiary	**16 702**	14 069
Transactions with non-executive directors are detailed in the group annual financial statements (note 8.3)		
The following balances were outstanding at the end of the reporting period:		
Loan balance owing by subsidiary (note 4.1)	**958 455**	

Notes to the company financial statements continued
for the year ended 31 December 2022

6. **Other: Other detailed disclosure requirements** continued

6.4 Trade and other receivables continued

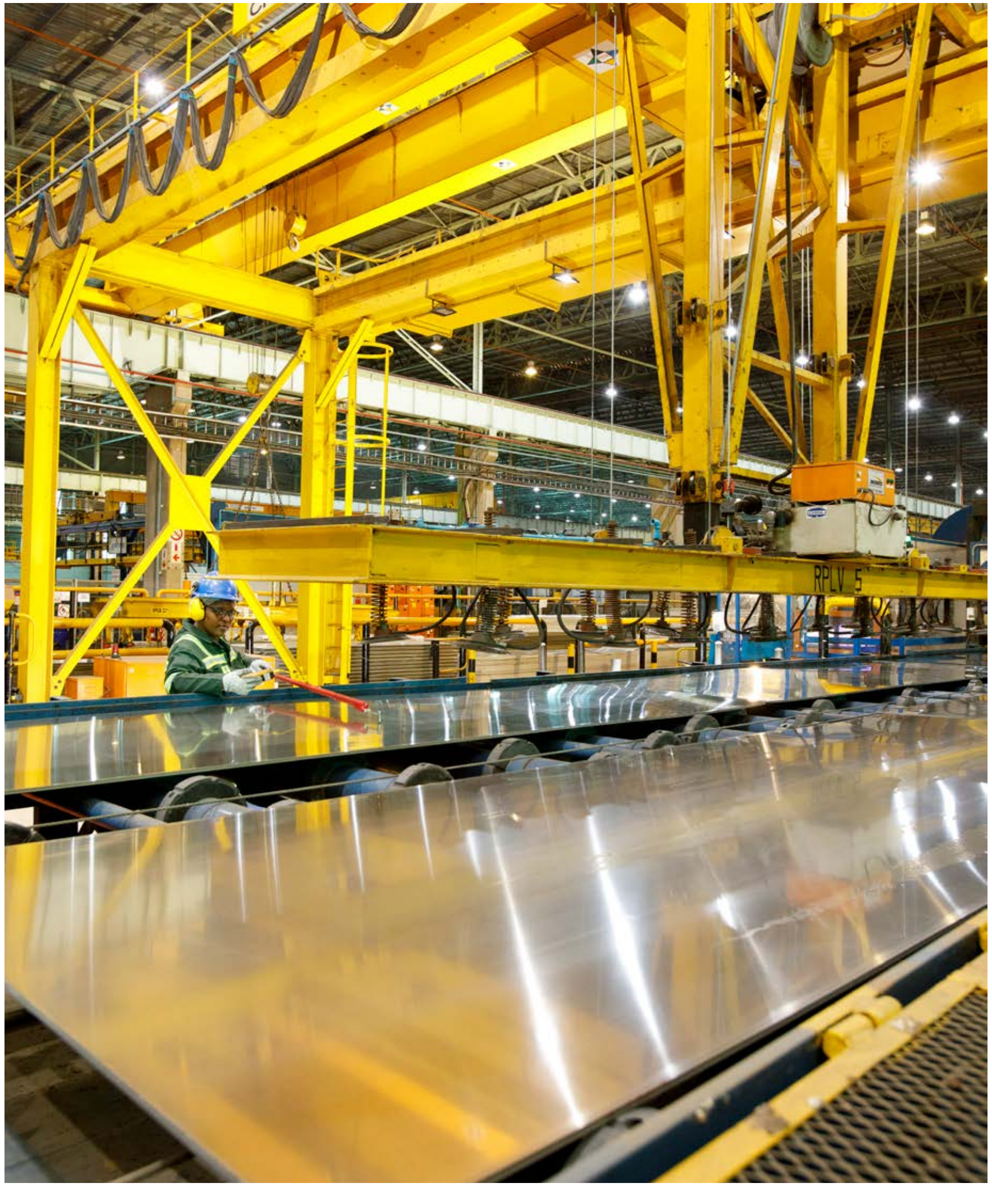
During the year the company, in the ordinary course of business had the following trade and other receivables. This primarily consists of sundry debtors in the form of accrued interest receivable on the shareholders loan and the VAT receivable. Refer to disclosure below:

Financial and non-financial assets

	2022 R'000	2021 R'000
Financial assets	**132**	–
Sundry receivables	**132**	–
	132	–

7. **Financial risk management**

The company's risk management is incorporated in the group's risk management process and is predominantly controlled by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Further detail can be obtained in Note 7 of the consolidated annual financial statements.



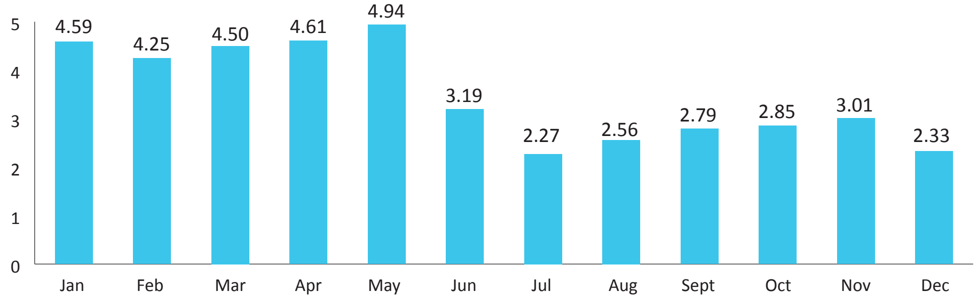
Shareholder information

Analysis of shareholders

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Ordinary shareholders				
1 – 1 000	7 303	74.60	1 051 202	0.32
1 001 – 10 000	1 578	16.12	6 263 849	1.93
10 001 –100 000	742	7.58	24 156 365	7.45
100 001 – 1 000 000	126	1.29	40 020 059	12.34
Over 1 000 000 shares	40	0.41	252 826 961	77.96
	9 789	100.0	324 318 436	100.0
Public/non-public shareholders				
Non-public shareholders	4	0.04	110 433 828	34.05
Directors of the company	2	0.02	220 000	0.06
Extended family of Directors	0	n/a	–	n/a
Strategic holding (more than 10%)	1	0.01	34 782 105	10.72
Treasury Stock	2	0.02	15 822 345	4.82
Public shareholders	9 780	99.91	163 060 158	50.27
Total listed shareholders	9 789	100.00	324 318 436	100.00
Beneficial shareholders holding more than 3% of share capital				
Industrial Development Corporation			94 587 954	29.17
Biccard, JL			30 788 714	9.49
Ninety One			16 193 301	4.99
Hulamin Operations (Pty) Ltd			15 822 345	4.88
Prime Brokers			11 745 102	3.62
Total			169 137 416	52.15
A and B ordinary shareholders (refer to note 3.4 in the annual financial statements)				
Hulamin ESOP				
A2 ordinary (voting and beneficial)			26 755 733	39.61
A3 ordinary (voting and beneficial)			4 721 600	7.00
BEE strategic partners				
B1 ordinary (voting and beneficial)			9 018 000	13.35
B2 ordinary (voting and beneficial)			9 018 000	13.35
B3 ordinary (voting only)			18 036 000	26.70
Total non-listed A and B ordinary shareholders			67 549 333	100.00

Share price

Hulamin volume weighted average share price by month during 2022 (cents per share)



Shareholders' diary

		Diary 2022	Diary 2021
Financial year-end		**31 December**	31 December
Annual general meeting		**May**	May
Financial reports	Interim results	**August**	August
	Annual results	**March**	March
	Annual financial statements	**March**	March

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 and postal address

Moses Mabhida Road
Pietermaritzburg
3200
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, 2196
Private Bag X9000
Saxonwold, 2132

Sponsor

Questco Corporate Advisory Proprietary Limited
Ground Floor, Block C
Investment Plaza
10th Road
Hyde Park, 2196

Directorate

Non-executive directors

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*
N Maharajh*
Dr B Mehlomakulu*
SP Ngwenya
GC Zondi (Alternate)

Executive directors

GHM Watson, Interim Chief Executive Officer^
M Gounder, Chief Financial Officer

* *Independent non-executive directors*
^ *Appointed interim Chief Executive Officer on 30 September 2022, having previously served as an independent non-executive director.*

Company Secretary

Zibandakanye Consulting and Projects (Pty) Ltd*
email: secretarial@hulamin.co.za

* *Appointed as Company Secretary on 1 October 2022*

Corporate information and investor relations

BA Mngadi
Email: Ayanda.Mngadi@hulamin.co.za

Date of SENS release

6 March 2023

Auditors

Ernst & Young Inc.
102 Rivonia Road, Sandton, 2146
Private Bag X14, Sandton, 2146
Practice number: 918288
Telephone: +27 11 772 3000
Facsimile: +27 11 772 4000
Website: http://www.ey.com

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Think future. Think aluminium.