



**HULAMIN**  
Think future. Think aluminium.

# Integrated Report

for the year ended 31 December 2021



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# Introduction

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## About this report

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

### Scope

The scope of this report includes Hualamin Limited, its subsidiaries and operating divisions, listed on page 8. The report covers the period 1 January 2021 to 31 December 2021.

### Our audience

Hualamin's long-term providers of capital are the primary audience of Hualamin's integrated report. However, Hualamin'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 Hualamin's business model on the relevant capitals. It also sets out the financial and non-financial performance of Hualamin and the impact of Hualamin's operations on the relevant capitals and provides insight into the prospects of the group.

## Reporting frameworks

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

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

## Assurance

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

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

## 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 Hualamin. Hualamin 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 Hualamin 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 2021 integrated annual report.

## Feedback from stakeholders

Hualamin 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@hualamin.co.za, which will enable the group to gauge the accuracy and standard of its integrated reporting.

## Our 2021 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.hualamin.com/sites/default/files/downloads/2021%20Hualamin\\_Sustainability\\_Report.pdf](http://www.hualamin.com/sites/default/files/downloads/2021%20Hualamin_Sustainability_Report.pdf)



# Chairman's Review

Following the breakout of Covid-19 and the resulting slowdown in business activity in 2020 – both externally in the global aluminium market and within Hualamin operations – 2021 ushered in the expectation of continued recovery that began in the second half of 2020.



The first, second and third Covid-19 waves of 2020 and 2021 had serious negative impacts on the Company. These disruptions were most visible in Group sales volumes, where both soft market conditions and challenges in maintaining manufacturing momentum resulted in measurably lower sales.

Late in December 2020, the International Trade Administration Commission (ITAC) of South Africa announced that the 2018 Hualamin application for duty protection on aluminium flat-rolled products was successful. A 15% import duty on aluminium rolled products into South Africa was therefore gazetted for implementation from January 2021. This resulted in a significant increase in local demand, which has been particularly noticeable in the beverage can sector. As a result, demand for all products, especially from the beverage can market, experienced a sharp increase during 2021.

Although performance in 2021 showed a pleasing improvement, the year remained punctuated by several disruptions and upheavals. Hualamin is located in a fragile social and political context. The scourges of poverty, inequality and unemployment are commonplace in and around Pietermaritzburg. This results in a volatile political environment where levels of infrastructure and public sector services are particularly variable. In 2021, Hualamin faced power and logistics challenges due to unreliable local government infrastructure and services. Furthermore, in 2021 we faced social unrest and looting in our communities, cyber-attacks in the Durban port, and ongoing road logistics delays in and around our operations, and instances where our employees faced violent crime were commonplace. As a result stable and reliable operations in this context posed particular challenging.

## Transformation

The Board places great value on the role that Hualamin plays in investing in, normalising and sustaining our KwaZulu-Natal and South African communities. Despite the challenging economic environment and resulting financial performance, we are proud to have maintained activities geared towards transformation throughout these difficult periods in 2019 and 2020.

In the 2021 assessment, in spite of the tight financial conditions, the Company qualified for a Level 7 scoring in the revised B-BBEE codes, as published by the Department of Trade and Industry in 2015. The main reasons for the decline in ownership scoring curtailed expenditure on Enterprise and Social Development (ESD) and the lower share price.

In terms of the revised B-BBEE codes, failing to reach the sub-minimum on ownership, procurement or ESD, results in being penalised a level. As a consequence, the Hualamin B-BBEE scorecard for 2021 resulted in a net score of Level 7.

Plans are in place to improve the position for the 2022 year and to revert to historic performance.

## Aluminium supply

Hualamin continues to play its crucial role in the Southern African aluminium economy. Hualamin is the key link between the large primary industry and the manufacturers who require aluminium raw materials for their fabrication processes. Our key supplier is Hillside Aluminium, one of the largest and most globally competitive smelters, located in Richards Bay. Like all aluminium smelters, it plays a crucial role in stabilising the electricity supply grid by changing its electricity demand at short notice to counter changes in electricity supply availability. The smelter is wholly dependent on electricity supply for both operational continuity and economic sustainability. Consequently, security of primary aluminium supply is one of Hualamin's major risks.

During 2021, the National Energy Regulator of South Africa (NERSA) approved a supply contract between Eskom and Hillside for a new five-year electricity supply contract. We are thankful for this progress and for the certainty that it brings to the sustainability of Hualamin and the aluminium industry in South Africa. Furthermore, the availability of competitive primary aluminium unlocks opportunities for investment by Hualamin and the broader industry.

## Safety and health

The Board and I report another safe year for Hualamin. Although the tragic effects of Covid-19 have subsided somewhat, we are sad to report a total of 12 Covid-19-related deaths in the Hualamin family since the start of the pandemic in 2020. A total of 968 positive cases were reported, of which we are grateful to report that 950 people have fully recovered and, at time of reporting, six are still recovering.

In 2021, Hualamin once again provided a safe and healthy work environment for employees. The year was particularly challenging for employees' wellbeing, following the effects of Covid-19, the economic downturn, and its resulting impacts on employment and financial stability. Early in 2021, the Company identified the need to support employees' mental health in these most challenging times. We are proud to have been in a position to assist our most valuable assets, our people, both directly through protective health interventions, such as safer transport, as well as through the successful implementation of a mental health support/coping programme for employees. We are once again proud of our safety record as safety incident frequency target rates were achieved in 2021. (The Total Recordable Case Frequency Rate was 0.6).

## Retirement and succession

The Board places great value on the governance responsibilities placed on the Hualamin Board of Directors as the primary accountability body for the Company. Reflecting the values and priorities of stakeholders is the foundation upon which we hold management accountable. The Board is satisfied with the competence and experience of the Board and management team. We are cognisant of the trade-offs between size, diversity and cost to run the business optimally over the coming years.

We thank Laren Farquharson for stepping into the gap, following Anton Krull's resignation in 2020 while we awaited the appointment of Mark Gounder in April 2021. Laren's experience and cool demeanour provided the continuity the Board and I needed during this challenging period.

Mark Gounder joined the Board on 1 April 2021, following a long and distinguished career in the sugar industry. We are delighted to welcome him to the Board and have been pleased with his energy, experience, judgement and leadership in his short tenure thus far. We welcome him to the Hualamin family and look forward to his uplifting of the Hualamin Finance team, his support to Richard and the Board, and to his long tenure with the Company.

Sharon Ramoetlo joined Hualamin on 1 May 2021 in the role of Company Secretary, following the retirement of Willem Fitchat. Sharon has filled this role seamlessly, bringing her unique skills, experience and personality to the function. The Board and I have been delighted with the efficient diligence with which she has taken on her responsibilities, allowing the board and its committees to seamlessly perform their functions.

## Conclusion and outlook

The Board is pleased that Hualamin has recovered from the ongoing challenges of 2019 through to 2021, returning strongly to profitability in 2021. I am pleased that we have mitigated the challenging period, successfully actioning the turnaround improvements initiated in 2019. Although the challenges and constraints of Covid-19 are ongoing, we are pleased to present a successful 2021 year. We returned a meaningful improvement in volumes, kept costs under control, and managed our liquidity under often difficult conditions. We look forward to further improvements in the year ahead.

**Thabo Leeuw**  
Chairman

# Introducing Hulamin

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## Hulamin at a glance

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

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

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

### Our Philosophy

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



### Our Core Purpose

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

### Our Vision

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



### Our Values

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



### 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

### 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

# 01

# 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

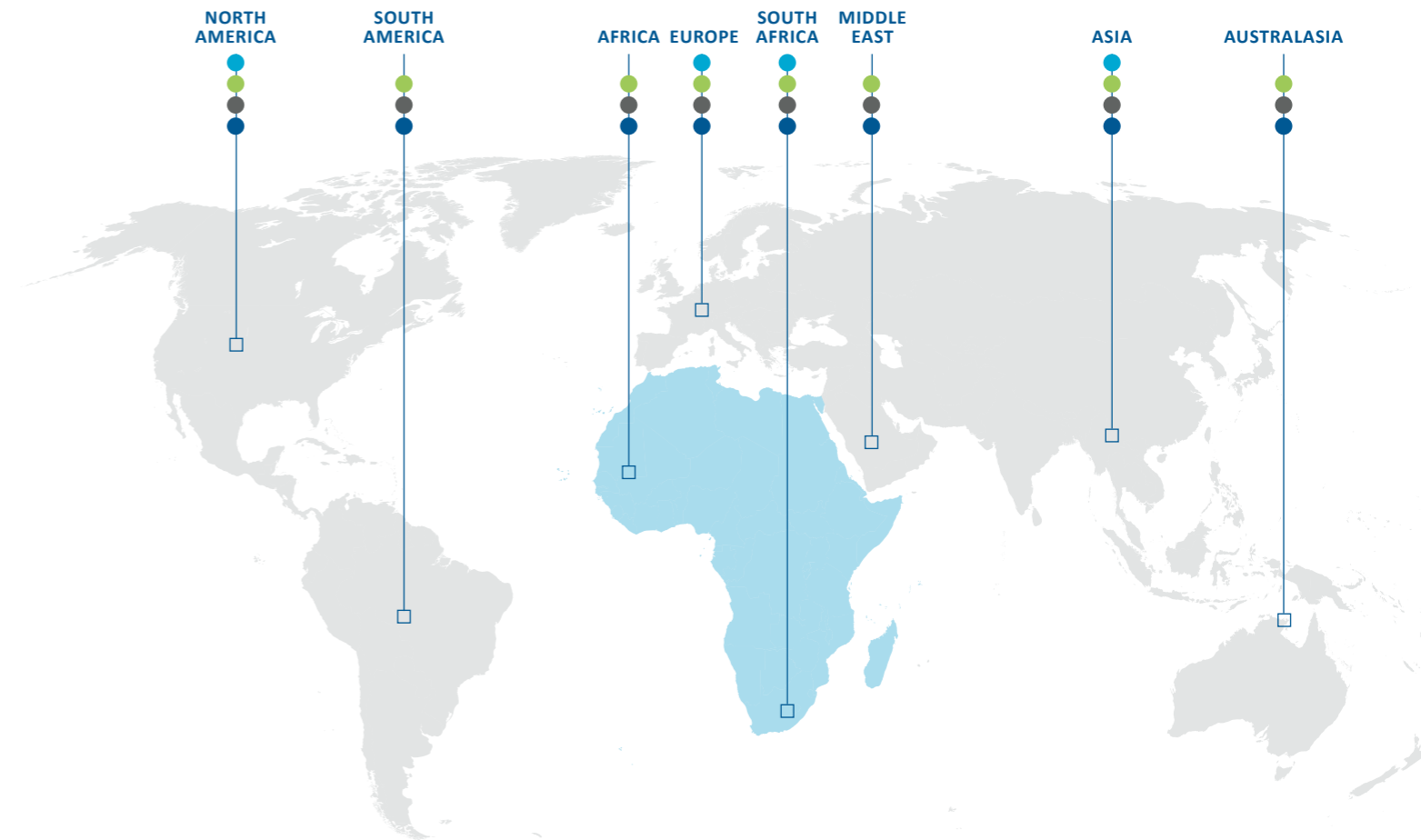
Based in Pietermaritzburg, KwaZulu-Natal, Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

### Key markets

Hulamin Extrusions supplies the local engineering and architectural markets.

### Key strategic focus areas

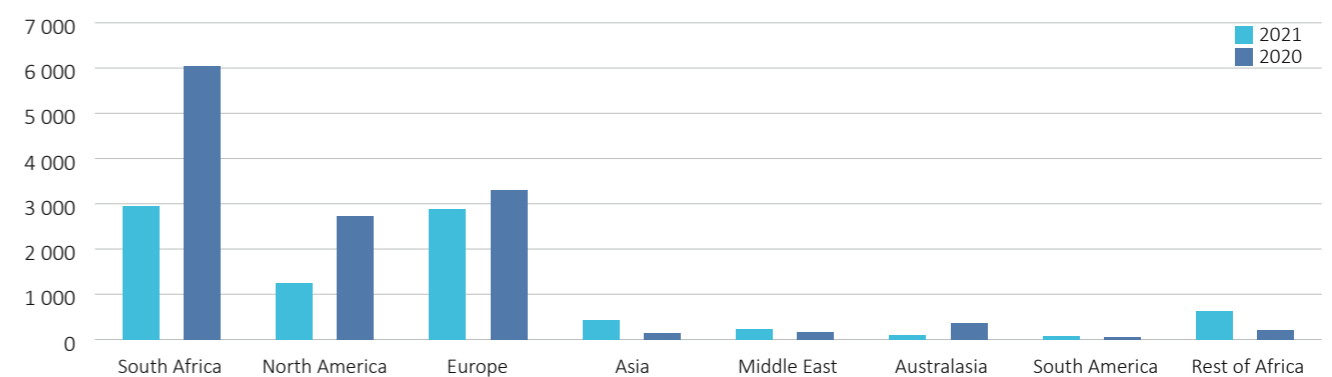
- Security of billet and secondary metal supply
- Cost competitiveness
- Market growth and opportunities



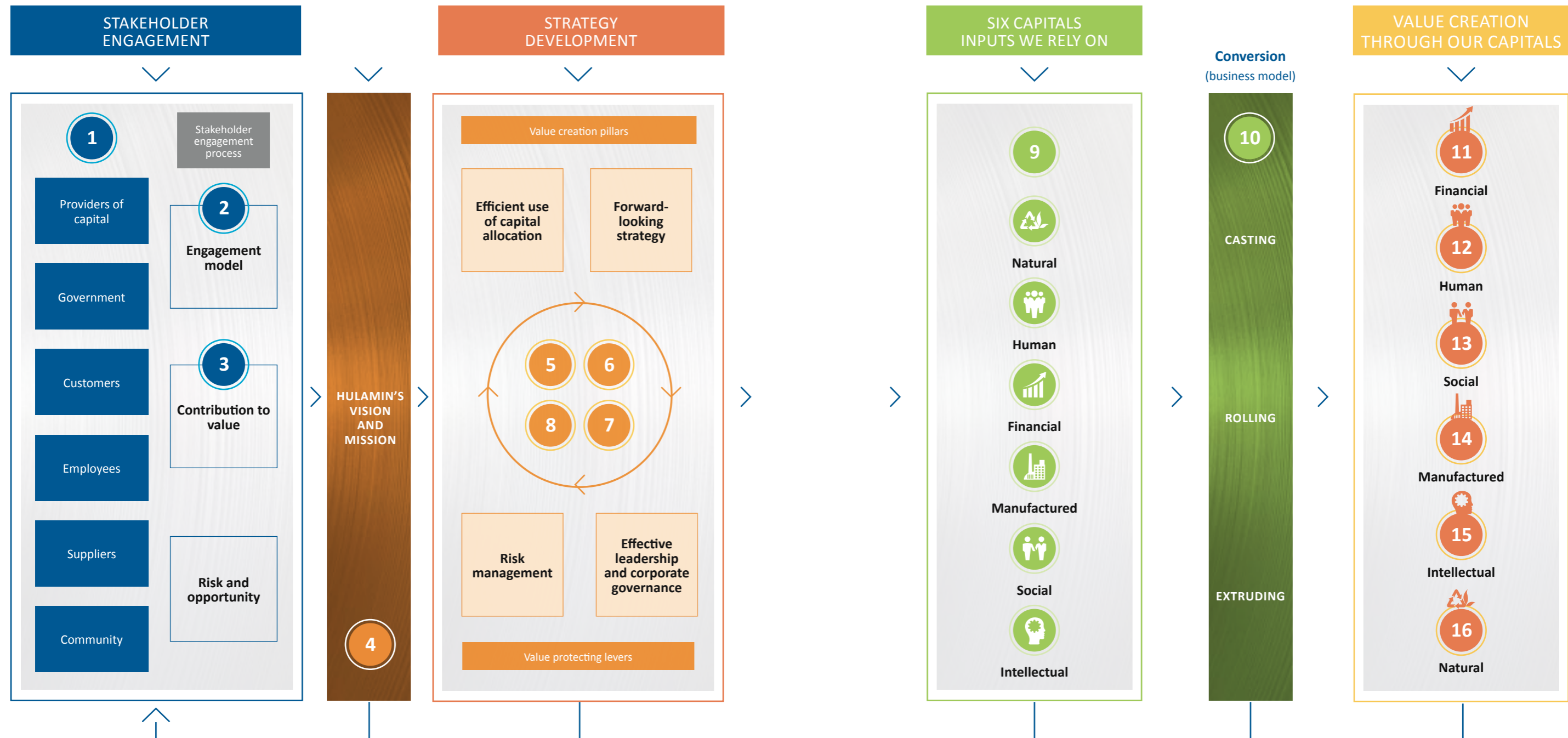
Our products are used by downstream fabricators in a variety of industries, namely:

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

Geographical analysis of revenue (R million)



# Integrated thinking



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

**2** Engagement model.

**3** Contribution to value.

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

**4** Hulamin's vision and mission.

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

**5** Efficient use of capital allocation.

**6** Forward-looking strategy.

**7** Effective leadership and corporate governance.

**8** Risk management.

**Six Capitals – Inputs we rely on**

**9** Six Capitals Hulamin's strategy relies.

**Conversion (business model)**

**10** Hulamin's business model.

**Value creation**

**11** Financial value creation.

**12** Human capital value creation.

**13** Social and relationship value creation.

**14** Manufactured capital value creation.

**15** Intellectual capital value creation.

**16** Natural capital value creation.

# Hulamin's Circle of Synergy

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

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

## Key pillars of our vision and focus



### 1. Sustainable and innovative products

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

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



### 2. African industrialisation and digitalisation

We support economic growth in South Africa and Africa.

A strong upstream industry supports downstream industrial investment and growth.



### 3. African innovation

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



### 4. Transformation

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



### 5. Sustainable production

We encourage and advance sustainable production by:

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



### 6. Financial returns

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

# Our commitment to sustainable development

## Hulamin's contribution to the SDGs





# The business in context

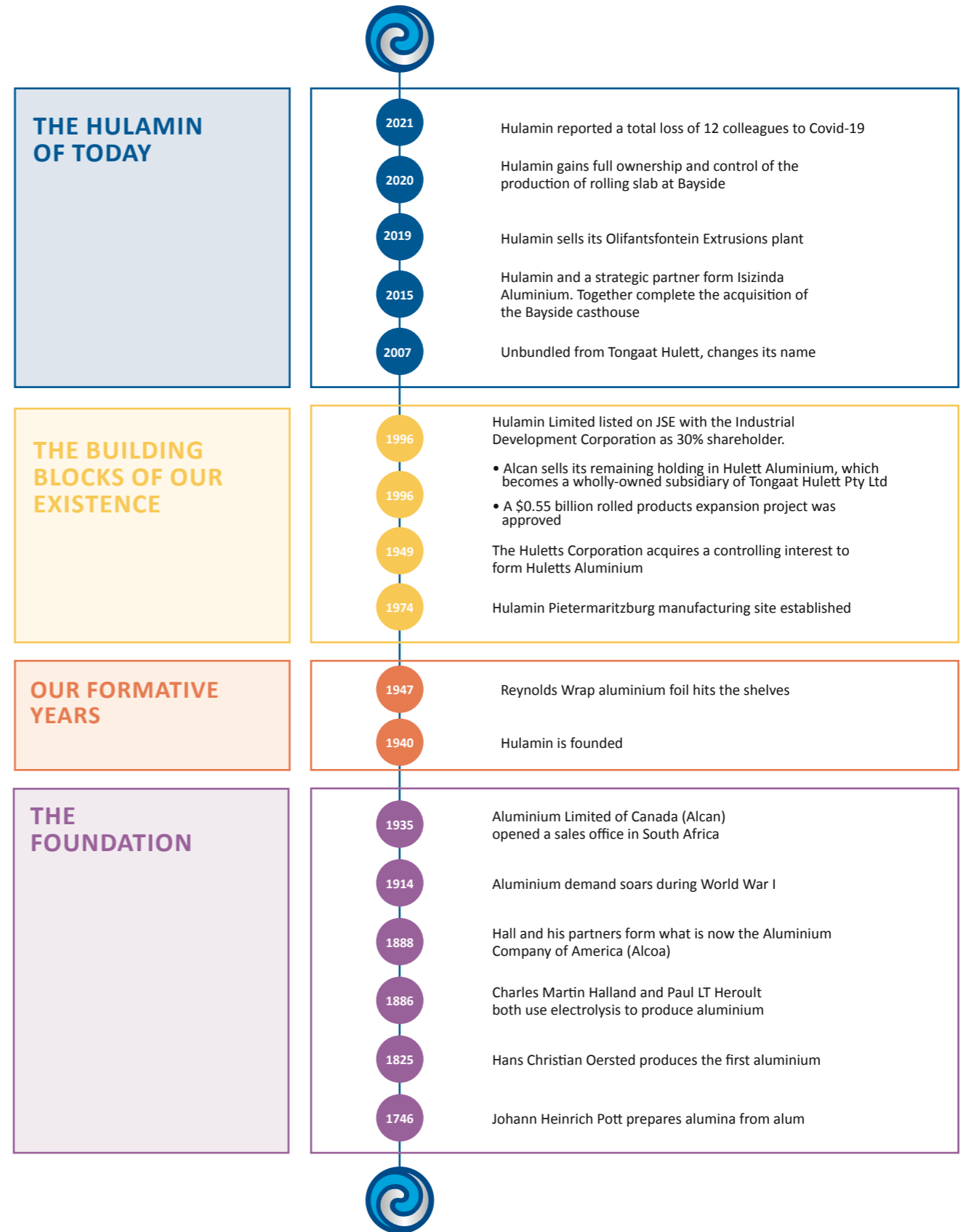
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## Hulamín in context

Hulamín 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 Hulamín'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 Hulamín 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. Hulamín Richards Bay Casthouse also plays a key strategic role in securing the supply of Hulamín'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 Hulamín's history



# 02

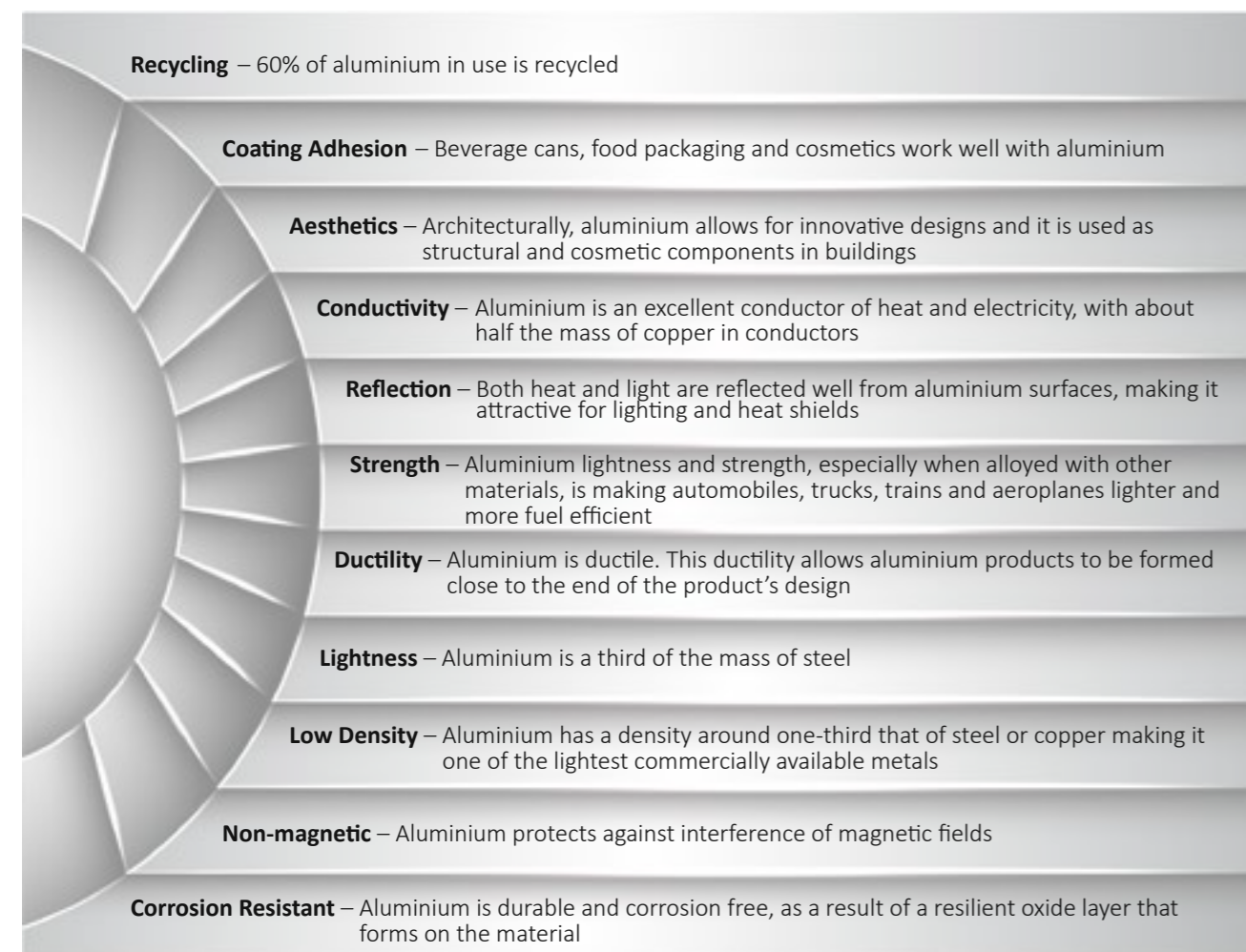
# About aluminium

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

Aluminium remains one of the most versatile materials available, and is used in everything from kitchen foil and cans to car parts and aircrafts.

# The value of aluminium

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



# Trends in the aluminium sector

## 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.

The nature of trade barriers in emerging economies and the level of taxation on imported goods has resulted in an influx of products from low cost markets. The global conversation around trade barriers may be reaching a breaking point and the impacts of the decisions by economies such as United States will have far-reaching consequences due to the nature of global supply chains. While this may result in economies such as China seeking other markets for the propagation of their goods, other aluminium producers may also find opportunity in the US marketplace.

From Hulamín's point-of-view, whilst certain products remain competitive in the international market, the focus for growth remains in South Africa and the wider continent.

## Central to aluminium production will be the following drivers:

### Recycling

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



### Green technology

Total CO2 emissions from primary production are predicted to fall by 60% to 70% by 2050 compared to 2014 figures



### Innovation and digitalisation

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



# The aluminium value chain

## PRIMARY aluminium production

**1** 


### 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

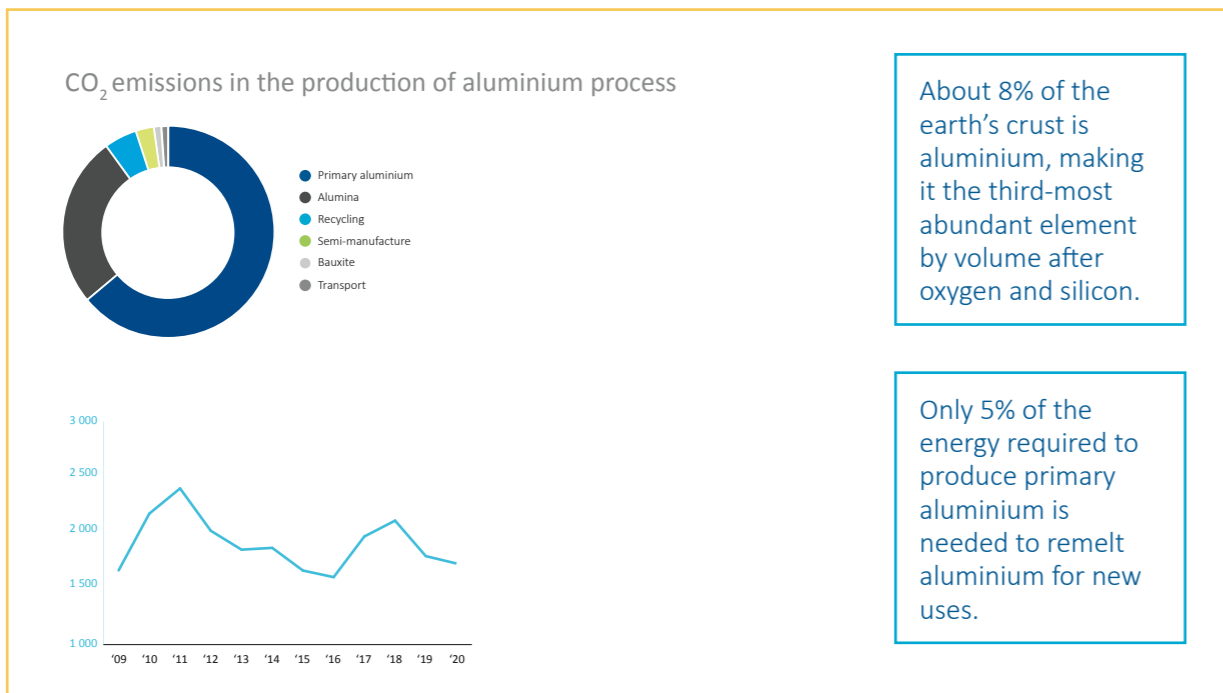
Aluminium oxide (alumina) is extracted from bauxite in a refinery. Alumina is then used to produce primary aluminium.

**2** 

### 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

**3** 

### Casting of aluminium value-added products

#### Aluminium casting

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

#### Billet

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

#### Slab

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

**4** 

### Semi-fabrication of aluminium

#### Rolling

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

#### Extruding

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

#### Foundry casting

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

**5** 

### Manufacturing and use

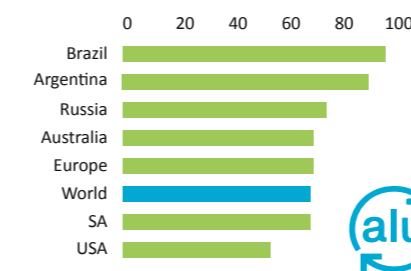
Aluminium fabricated products are used throughout the world and throughout many different sectors. In developed countries, the demand for aluminium comes mostly from the rapidly growing transport industry, which is driven by an expanding auto market. Mature countries typically use more aluminium in light vehicle production. Due to its low weight, aluminium makes cars more energy efficient. Developing countries are expanding their infrastructure and food production to satisfy the needs of growing populations that are migrating to large cities. Consequently, the packaging and construction sectors are some of the biggest consumers of aluminium within developing countries.

**6** 

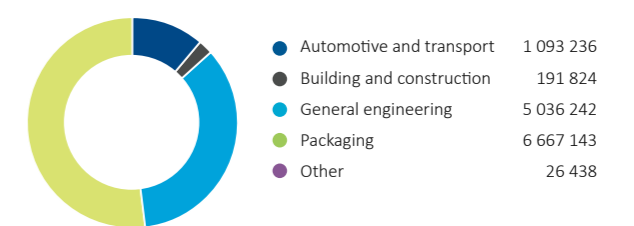
### Recycling

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

Proportion of recycled aluminium to total consumption



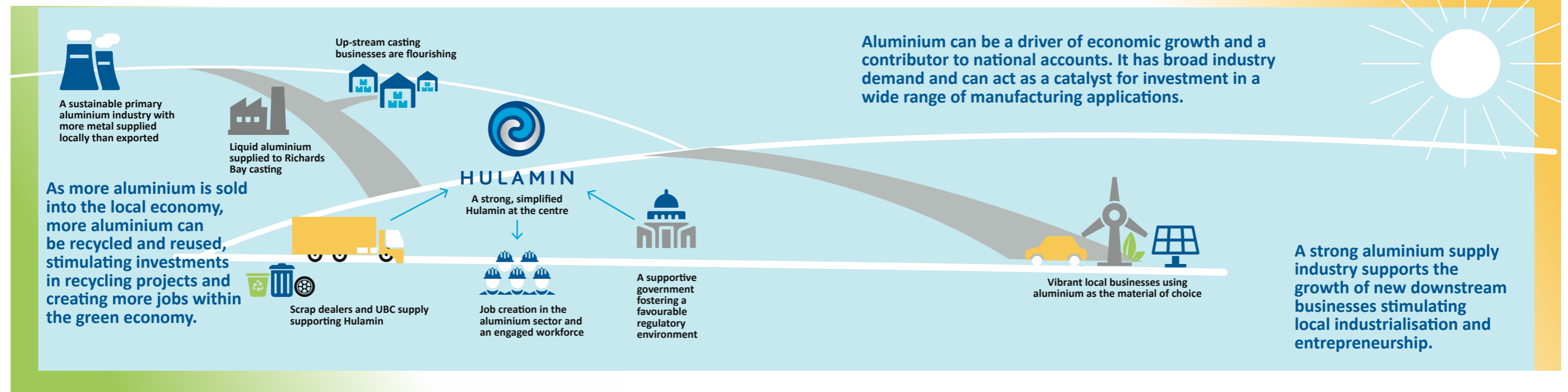
Hulamin 2021 revenue by product market (R'000)



# The role of Hulamín and South Africa in the aluminium value chain

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

## A vibrant, secure and transformed aluminium industry in South Africa



## 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

## Hulamín's role in developing the local economy

### A creator of economic value and human capital developer

- Hulamín contributes to national current accounts through the exportation of semi-fabricated aluminium
- We provide employment, mentor and develop SMMEs
- We support and promote investment in downstream fabrication industries in South Africa
- We procure the majority of our goods and services in South Africa

### Major contributor in the South African aluminium value chain

- We are the largest supplier of aluminium raw materials to the South African manufacturing industry
- We promote the development and innovation in aluminium technology and use
- As a strategic asset to South Africa, we assist in promoting and driving foreign direct investment in downstream manufacturing

- Our world-class asset base and knowledge unlocks the properties inherent in primary aluminium, for use in a variety of industries and product applications
- Aluminium is 100% recyclable, and we are a leader in recycling
- We promote the use of aluminium in the local economy

### Regional social partner/stabiliser

- We are committed to transformation and B-BBEE
- We support our economy by procuring the majority of our goods and services locally
- We believe that social investment is key to the upliftment of our communities
- We are a major regional employer

### Export manufacturer

- We are an earner of foreign currency and support the national current account

### Preferred supplier of aluminium manufacturing inputs

- We are committed to supplying quality goods locally and internationally
- Our development of aluminium products supports downstream industries and is an enabler of economic growth

### Major partner in metals semi-fabrication

- Technology – developer and partner in government support programmes
- A partner of government and other industry players to support the NDP vision

### Leader in manufacturing excellence

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

### Positive counter to aluminium smelting carbon footprint

- Stimulator of aluminium usage

# Business model

## CAPITAL INPUTS

### Financial Capital

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

Shareholders: The group's largest investor is the Industrial Development Corporation, holding 29.17% of issued share capital.

### Manufactured Capital

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

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

Remelt and Casting: Hulamin owns three slab production lines in Pietermaritzburg, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace. Hulamin also owns the Bayside casthouse in Richards Bay, which produces one-third of its total rolling slab requirements.

### Natural Capital

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

### Human Capital

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

### Intellectual Capital

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

### Social Capital

#### Government

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

#### Suppliers

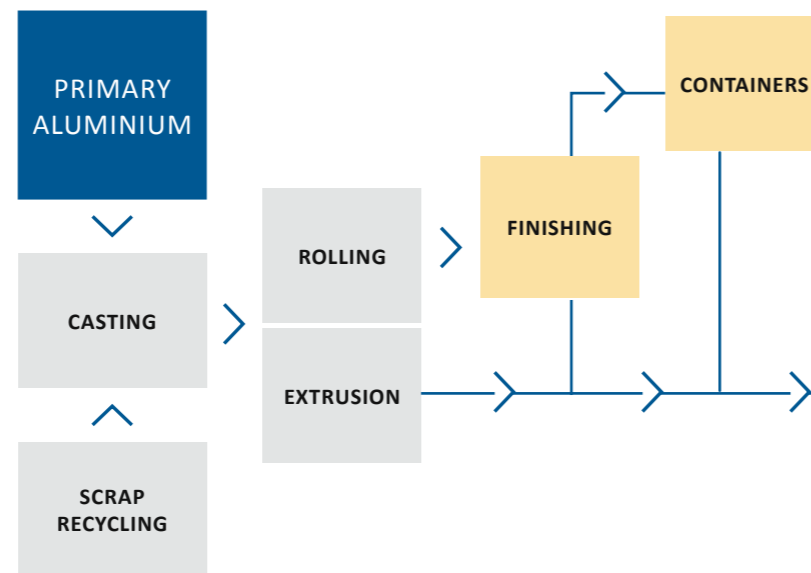
Strong relationships with suppliers ensure that the group is able to secure the long-term supply of key inputs into the manufacturing process.

#### Customers and markets

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

## What we do

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



## Metal inputs

Hulamin remelts primary aluminium received from South 32's Hillside smelter, together with process and bought-in scrap, in its remelt and casting facilities to cast around two-thirds of its rolling slab and one-third of its extrusion billet requirements. The aluminium is alloyed with other materials, usually iron, silicon, zinc, copper, manganese and magnesium, to create metals with a wide range of different properties and strength characteristics. One-third of Hulamin's rolling slab requirements is brought in from Hulamin Richards Bay Casthouse. Two-thirds of Hulamin Extrusion's extrusion billet requirements are imported. Aluminium slab and billet are the feedstock for the rolling and extruding processes respectively.

## Rolled Products

In the rolling operation, aluminium slab is passed through a number of pairs of rolls to reduce its thickness down to plate material with thicknesses of 6 mm to 250 mm and further down as low as 2 mm for subsequent cold rolling to sheet and coil with thicknesses as low as 0.2 mm. Further rolling can produce the thinnest of foil with a thickness as low as 0.006 mm. The rolling of cast aluminium changes its metallic structure and the metal takes on new characteristics and properties, with improved strength and ductility.

## Extruded Products

The extrusion process involves a preheated billet being squeezed through an opening in a die forming the cross-section of the extrusion or profile. This is used in the building and automotive industry.

## Containers Products

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

## Market focus and revenue model

Hulamin Rolled Products is primarily an export business (in excess of 60%), due to the current small size of the local aluminium downstream industry relative to the capacity of the Hulamin plant, which has the necessary scale to be globally competitive.

Hulamin Extrusions is a supplier to the domestic market. In addition to recovering the metal cost component in its products, Hulamin earns a conversion fee as compensation for the costs of rolling, extruding and finishing its various products.

## HULAMIN MARKETS AND PRODUCTS

### Automotive and Transportation

#### KEY PROPERTIES

Lightweight, corrosion resistant, recyclable, strong and ductile

#### AUTOMOTIVE CLAD TUBE STOCK AND FINSTOCK

Used in the manufacture of automotive heat exchangers such as radiators, charge air-coolers, condensers and evaporators

#### PLATE AND HEAT-TREATED PLATE

Used in the production of aerospace components, truck bodies, trailers, tankers, boats and train wagons

#### HEATSHIELD PRODUCTS

Used for containing heat within engine compartments

#### EXTRUSIONS

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

#### Packaging

#### KEY PROPERTIES

Lightweight, corrosion resistant, impermeable, odourless and recyclable

#### CAN BODY, AND COATED CAN-END AND TAB STOCK

Used in the manufacture of cans for the beverage industry

#### CONVERTER FOIL

Used in the production of laminated cartons and confectionary packets for the food and beverage market. Household foil, rigid container foil, laminated foil, closure sheet for use in the manufacture of bottle caps

#### Building and construction

#### KEY PROPERTIES

Lightweight, corrosion resistant, good reflective qualities, strong and long life

#### PAINTED, AND MILL FINISH BUILDING COIL AND SHEET

Used in a wide range of applications including roofing, cladding, ceilings, gutters and downpipes

#### EXTRUSIONS

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

#### General engineering and durable consumer goods

#### KEY PROPERTIES

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

#### GENERAL ENGINEERING COIL AND SHEET PRODUCTS

Used in items such as electronics, computers, office products and durable consumer goods

#### PLATE AND HEAT-TREATED PLATE

Used in vacuum chambers for the manufacture of computer chips, plasma displays, distribution boards and numerous other applications

#### FINSTOCK PRODUCTS

Used in the manufacture of domestic and industrial air conditioning systems

#### EXTRUSIONS

Numerous applications and developing opportunities such as solar components

## OUTCOMES AND CAPITAL TRANSFORMATION

### Financial Capital

**Equity:** Equity capital book value R2.9 billion with a current market value of R1.5 billion. This indicator of impairment has been assessed on pages 105 to 108 of the report. Retained earnings for the current year has increased by R608 million. No dividends declared in 2021.

#### Borrowings

Net debt: R703 million  
Net interest cost: R55 million

#### Cash generation

Net cash inflow from operating activities: R239 million

### Manufactured Capital

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

#### Production:

Rolled Products: 209 000 tons  
Extrusions: 13 000 tons

#### Additions:

Rolled Products: R132.7 million  
Extrusions: R21.7 million

#### Maintenance and repairs:

R377 million

#### Depreciation: R86.6 million

### Natural Capital

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

	2021	2020
Carbon footprint (CO <sub>2</sub> e/MT)	1.99	1.73
Electricity consumption (KWh/MT)	1 401	1 203
Fuel gases intensity (GJ/MT)	9.66	8.13
Water consumption (Kℓ/MT)	2.86	2.67

### Human Capital

Employee's competencies and capabilities are used in operating manufactured capital to produce finished goods for sale to our customers. Where required employees are provided with various self-development opportunities through the talent management and development programme, financial assistance for academic studies and an employee wellness programme. During the current financial year the group has shared R1.099 billion in value with employees through guaranteed and variable remuneration structures.

### Intellectual Capital

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

### Social Capital

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

# Stakeholder engagement

## Government

### Who they are and how they contribute to value

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

### How we have engaged

- Online 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.

## 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.

## 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.

## Employees

### Who they are and how they contribute to value

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

### How we have engaged

- Covid-19 updates through social media
- Daily online health checks
- Home visits to Covid-19 positive patients
- Social media internal Covid-19 updates
- Microsoft Teams meetings with staff

### Issues raised

Provision of gainful and safe employment through:

- Employment security during Covid-19 lockdown
- Safe working conditions to ensure Covid-19 protocols
- Remuneration and benefits during Covid-19 lockdown
- Remote working conditions
- Returning to work under strict Covid-19 guidelines

### Strategic response

- Implemented Covid-19 safety protocols to ensure minimal transmission amongst employees during working hours
- Covid-19 Executive Committee daily meetings
- Employee share ownership plan
- Virtual meetings and daily Online check-ins

## Customers

### Who they are and how they contribute to value

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

### How we have engaged

- Meetings and site visits

### Issues raised

Reliable service, good quality products and competitive prices through:

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

### Strategic response

- Secure metal supply through recycling facilities and the acquisition of the Hulam 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.

## Communities

### Who they are and how they contribute to value

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

### How we have engaged

- Public meetings
- Community outreach programmes

### Issues raised

Responsive contribution to community interest and needs through:

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

### Strategic response

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

# The operating environment

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

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

The analysis below, provides some insight into the key externalities that impacted the business in 2021.

## 1. South African aluminium industry

<b>Issues</b>	<p><b>Energy:</b> There is an inconsistent supply of energy, with cost increasing above inflation.</p> <p><b>Local smelter:</b> Stable supply of local primary aluminium.</p>
<b>Drivers</b>	<p><b>Electricity supply:</b> Electricity supply constraints remained a challenge in 2021. 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.</p> <p><b>Gas supply:</b> The local refineries remain underinvested in, with frequent unplanned breakdowns and decisions to shutdown operations.</p> <p><b>Local smelter:</b> High LME prices in 2021 and early 2022 have provided significant support for profitability of the local South 32 smelter. Regulatory approval for South 32's new electricity agreement with Eskom has also been obtained during 2021, further supporting the sustainability of the local smelter.</p>
<b>Implications</b>	<p><b>Electricity supply:</b> 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.</p> <p><b>Gas supply:</b> The consistency of gas supply has a direct impact on the achievement of benchmark operational performance.</p> <p><b>Local smelter:</b> South 32 have secured a new long-term energy supply agreement, which provides certainty and stability to long aluminium supply.</p>
<b>Strategic approach</b>	<p><b>Electricity supply:</b> 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.</p> <p><b>Gas supply:</b> LPG suppliers have successfully switched to bulk imports. The group continues to explore opportunities to migrate to LNG as opportunities arise (2023/2024 horizon).</p> <p><b>Local smelter:</b> 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.</p>

## 2. The South African economic and political environment

<b>Issues</b>	<p>Domestic macroeconomic instability, low economic growth, rising public debt and unemployment.</p> <p>Weaker and volatile domestic currency.</p>
<b>Drivers</b>	<p>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.</p> <p>This has been exacerbated by the impact of Covid-19. Global economies have ramped up following Covid-19 disruptions.</p>
<b>Implications</b>	<p>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's products recovered during 2021 following Covid-19 disruptions in 2020, with the implementation of local import duties on aluminium rolled products providing further support for local demand.</p>
<b>Strategic approach</b>	<p>The group completed a turnaround plan during the second half of 2019 in order to improve its resilience through lowering its cost base, exiting underperforming capacity, and reducing the market channel concentration risk in the USA. The group concluded its execution of the turnaround plan in 2021 and ramped up operational performance during the second half of 2021.</p>

## 3. Regional market development

<b>Issues</b>	Depressed domestic and regional market conditions resulting in marginal demand growth plagued by the ongoing COVID pandemic and civil unrest impacting all sectors' ability to recover.
<b>Drivers</b>	Low economic growth with little to no investments in key infrastructure. Strong global demand coupled to high 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.
<b>Implications</b>	Improved local market demand has positively impacted the group's sales in the local market, combined with the duty protection and global volatility.
<b>Strategic approach</b>	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 strong global demand for aluminium.

## 4. The global aluminium semi-fabrication market

<b>Issues</b>	<p><b>Market demand:</b> Globally, demand for semi-fabricated products recovered impressively in 2021. The cansheet market experienced particularly strong demand, whilst the automotive industry enjoyed moderate recovery despite being plagued by a semi-conductor shortage.</p> <p><b>Trade policies:</b> 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.</p>
<b>Drivers</b>	<p><b>Market demand:</b> The Electronic Vehicle (EV) market grew in 2021 despite the semi-conductor chip shortage faced by the automotive industry. This was one of the key drivers of the demand recovery for aluminium automotive products. Demand for cansheet continues to grow as consumers choose the environmentally friendly alternative to plastics.</p> <p><b>Trade policies:</b> There is a growing trend in protectionist trade policies around the world to support local manufacturing industries. Following the implementation of anti-dumping (AD) and countervailing (CVD) duties against Chinese aluminium common alloy rolled products producers, the USA launched an AD/CVD investigation against 18 non-Chinese producers of common alloy, including South Africa in 2020. Final duties were announced in April 2021, with Hulamin's AD duty of 8.85% being relatively advantageous compared to many other large importers of common alloy into the USA. Similarly to common alloy, the US initiated an AD/CVD investigation on aluminium foil from five countries (excluding China and SA). In 2021, the EU imposed anti-dumping duties on imports of Chinese aluminium, although this was later temporarily suspended when the magnitude of the supply deficit was realised.</p>
<b>Implications</b>	<p><b>Market demand:</b> With a wide product portfolio, Hulamin is enjoying strong demand across its offering, with particularly strong demand in the canstock market.</p> <p><b>Trade policies:</b> Hulamin enjoyed preferential access to key export markets in 2021. An advantage over Chinese mills for supply of common alloy was present in both the US and Europe. With a favourable common alloy AD rate in the US market, an advantage was also enjoyed over many other foreign mills that were charged in the same investigation as Hulamin. Similarly, Hulamin enjoyed a competitive advantage over mills from China, Armenia, Brazil, Oman, Russia and Turkey for supply of foil products.</p>
<b>Strategic approach</b>	<p><b>Market demand:</b> The group continues to increase volumes of key end user products such as can stock through various capacity improvement initiatives, has re-established direct sales channels in the US market to regain market share, and continues to focus on niche positioning in current high value products. The group also made significant strides in development opportunities in the high-end automotive sector.</p> <p><b>Trade policies:</b> Hulamin continues to focus on opportunities in export markets created by changes in relative trading conditions.</p>

## 5. The global primary aluminium industry


<b>Issues</b>	In recent years, excess global capacity has placed pressure on marginal aluminium smelters due to lower prevailing aluminium prices. In 2021, 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.
<b>Drivers</b>	<p>Historically, global capacity was impacted by excess capacity in China. In 2021, 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.</p> <p><b>Geographic premiums:</b> Low metal premiums have persisted since mid-2015 and have placed additional pressure on marginal smelters. In 2021, high demand and tight supply has caused premiums to increase sharply as well. Premiums were further exacerbated by increasing freight rates.</p> <p>In Q1 2022, sanctions against Russia over the war in Ukraine has created further price volatility.</p>
<b>Implications</b>	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.
<b>Strategic approach</b>	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.

# 03



The Hulam 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, 27% non-executive directors and 18% executive directors.

 Please refer to the governance report which covers the company's diversity policy.

## Strategic leadership

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## Board of directors



**THABO PATRICK LEEUW (58)**  
Chairman of the Board



**RICHARD GORDON JACOB (56)**  
Chief Executive Officer



**CHARLES ALEXANDER BOLES (52)**  
Independent non-executive



**ROBERT LENNART LARSON (66)**  
Independent non-executive



**NARAN MAHARAJH (55)**  
Independent non-executive



**DR BONAKELE MEHLO MAKULU (49)**  
Independent non-executive



**MEGANATHAN GOUNDER (46)<sup>1</sup>**  
Chief Financial Officer



**VUSI NOEL KHUMALO (59)**  
Non-executive



**GEOFFREY HAROLD WATSON (70)**  
Independent non-executive



**GCINA CECIL ZONDI (48)**  
Alternative non-executive

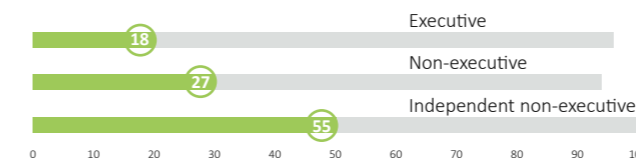


**SIBUSISO NGWENYA (68)**  
Non-executive

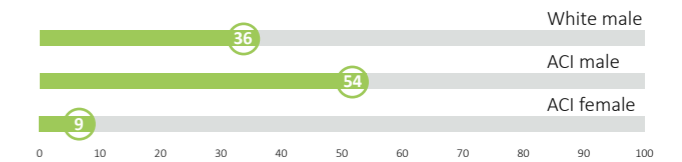


**LAREN MICHAEL FARQUHARSON (49)<sup>2</sup>**  
Acting Chief Financial Officer

Balance of power (%)



Board demographics (%)



ACI: African, Coloured and Indian

<sup>1</sup> Appointed as CFO and Director with effect from 1 April 2021

<sup>2</sup> Served as Director and CFO for the period 1 November 2020 to 31 March 2021

Note: Ages quoted are at 31 December 2021.



## Board of directors continued

### Richard Gordon Jacob (56)

*Chief Executive Officer*

Member of the Risk Committee and a member of the Social, Ethics and Sustainability Committee

BSc (Engineering); MBA

After graduating with a BSc Engineering from the University of Cape Town and following a brief period as an officer in the South African Navy, Richard joined Hulam in 1990 as an Industrial Engineer. In 1992 he was appointed Manager, Coil Coating Operation, followed by Market and Business Development Manager in 1996. In 2002, Richard was appointed to the Executive Committee and board of Hulett Aluminium, responsible for Coated Products, communication and investor relations. Richard was appointed to the board of Hulam in 2007 and as Chief Executive Officer in July 2010.

### Charles Alexander Boles (52)

Chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Chairman's Committee

CA (SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA (Cum Laude)

Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Hulam board on 1 October 2016.

### Vusi Noel Khumalo (59)

Chairman of the Social, Ethics and Sustainability Committee and member of the Chairman's Committee.

Senior manager: Industrial Development Corporation of SA Ltd.

BCom; BCompt (Hons); CA (SA); Global Executive Development Programme

Vusi, a senior manager at Industrial Development Corporation of South Africa Limited, is responsible for managing IDC's listed investment portfolio. He served articles at Ernst & Young and has held various financial management positions in Anglo American Corporation of South Africa Limited and Edcon Limited. He is also a non-executive director of Ernani Investments (Pty) Limited. He was appointed to the Hulett Aluminium board in 2006 and to the board of Hulam in 2007.

### Robert Lennart Larson (66)

Member of the Risk Committee

BA, MS

During a career that spanned nearly 40 years, Bob most recently served as CEO of Novipax LLC, the leading producer of absorbent pads and expanded polystyrene foam trays in North America. In addition to his role as CEO of Novipax, Bob served as an Operating Partner of Atlas Holdings LLC and was instrumental in the private equity firm's acquisition of Alcoa's aluminium rolled products business in Europe in 2014. Prior to joining Novipax, Bob spent nearly six years with The Rank Group Limited, a private investment firm based in New Zealand. Before Rank, Bob enjoyed a successful career with Alcoa.

### Thabo Patrick Leeuw (58)

Member of the Risk Committee; member of the Remuneration and Nomination Committee and Chairman of the Chairman's Committee

Chief Executive Officer: Thesele Group

BCom (Accounting); BCompt (Hons); Management Advancement Programme

Thabo is the chief executive and founder shareholder of Thesele. He served articles at Deloitte & Touche, and has held several financial management positions and also worked as investment banker with Cazenove plc. Thabo is a non-executive director of M&G Investments South Africa (previously Prudential Investment Managers SA), a non-executive director of Rhodes Food Group and also serves on the Board of ATTACQ. He was appointed to the Hulam board in 2007.

### Naran Maharajh (55)

Chairman of the Audit Committee; member of the Risk Committee and a member of the Chairman's Committee

Director of BCA Inc.

CA(SA)

Naran completed his training with PWC. He was then appointed as a lecturer in the Department of Accountancy at the University of KwaZulu-Natal. He was a partner at KPMG. In 2007 he left KPMG to set up BCA Inc- a firm specialising in providing audit, accounting and business advisory services. He currently serves as director of Comair Ltd. He has previously served as non-executive director of Mercedes-Benz South Africa Ltd and Masonite Africa Ltd. He was appointed to the Hulam board on 1 September 2016.

### Dr Bonakele Mehloakulu (49)

Member of the Risk Committee, Audit Committee and Social, Ethics and Sustainability Committee

BSc (Chemistry and Applied Chemistry); BSc (Hons) (Chemistry); MSc (Organic Chemistry); PhD (Chemical Engineering)

Dr Mehloakulu's career started at Sasol Technology before joining the National Department of Science and Technology in various management roles. Her external industry portfolios include being a non-executive Director of SAPPI Limited and Yokogawa South Africa. Her past directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa, Eskom Holdings SOC (Ltd), the Technology Innovation Agency, being the Deputy Chair of Unisa Council, a member of Council of the International Standards Organisation (ISO, Geneva), as well as the CEO of the South African Bureau of Standards. She was appointed to the Hulam board on 1 November 2016.

### Sibusiso Peter-Paul Ngwenya (68)

Member of the Social, Ethics and Sustainability Committee

Executive chairman: Makana Investment Corporation

BCom (Hons)

Following his release from Robben Island in 1991, Peter-Paul joined Engen and later South African Breweries. In 1997 he joined Makana Trust, where he is a founding trustee and former chairman. He later co-founded Makana Investment Corporation of which he is the current executive chairman. He is also the chairman of South African Airlink, Heart 104.9 and Igagasi 99.5 radio stations and Sebenza Forwarding and Shipping Consultancy. He was appointed to the Hulam board in 2007 as an alternate to Johannes Bhekumuzi Magwaza and a full director of Hulam in October 2009.

### Geoffrey Harold Melrose Watson (70)

Member of the Remuneration and Nomination Committee; the Chairman of the Risk Committee and a member of the Chairman's Committee

Director of companies

B.Sc (Agr) University of Sydney; B.Econ University of New England; Graduate Australian Institute of Company Directors

Geoff has held numerous senior executive positions in the aluminium and steel industries. Geoff retired in 2016 as Director Asian Sales and China business development of United Company RUSAL, who is the world's largest producer of aluminium. He was an executive associate of Seema International in 2010 and CEO of Steelforce Australia in 2009 and held numerous positions at Alcoa Rolled Products from 1976 to 2008 which included Vice President China, General Manager Alcoa Bohai, China, Director of Operations, Alcoa Kaal, Australia and General Manager Asian Business Development. He was appointed to the Hulam board with effect from 1 August 2011.

### Gcina Cecil Zondi (48) – Alternate Director

*Chief Executive – Imbewu Capital Partners*

BCompt (Hons), AGA (SA)

Gcina is the founding Chief Executive and shareholder of Imbewu Capital Partners. He is a qualified General Accountant and is an associate of the South African Institute of Chartered Accountants. He has more than 20 years' experience in the private equity industry of which 6 years were spent with Nedbank Capital Private Equity as a Private Equity Manager. Prior to joining Nedbank, Gcina completed his articles of clerkship at KPMG Durban and has also worked for Hulam Limited in the finance division for two and a half years prior to joining KPMG. Gcina was appointed to the Hulam board in May 2016 as an alternate director to Sibusiso Peter-Paul Ngwenya.

### Meganathan Gounder (46)

*Chief Financial Officer*

CA(SA)

Mark is an experienced CA (SA) finance professional with over 25 years' experience. Mark has held various senior finance roles within the Illovo Sugar Group which have involved extensive operational experience across Africa, as well as exposure to Europe, Asia and North America. Mark was appointed to the Hulam Limited Board and Chief Financial Officer in April 2021.

## The Board at a glance

	Year of appointment	Age	Audit Committee	Risk Committee	Remuneration and Nomination Committee	Social, Ethics and Sustainability Committee	Independent Board Committee <sup>3</sup>	Chairman's Committee
<b>Independent non-executive directors</b>								
TP Leeuw (Chairman)	2007	58		Member	Member		Chairperson	Chairperson
CA Boles	2016	52	Member		Chairperson		Member	Member
RL Larson	2017	66		Member			Member	
N Maharajh	2016	55	Chairperson	Member			Member	Member
Dr B Mehloakulu	2016	49	Member	Member		Member	Member	
GHM Watson	2011	70		Chairperson	Member		Member	Member
<b>Non-executive directors</b>								
VN Khumalo	2006	59				Chairperson		Member
SP Ngwenya	2007	68				Member		
GC Zondi (Alternate)	2016	48						
<b>Executive directors</b>								
RG Jacob (CEO)	2010	56		Member		Member		
LM Farquharson <sup>1</sup>	2020	49		Member				
M Gounder <sup>2</sup>	2021	46		Member				

*Directors ages are quoted as at 31 December 2021.*

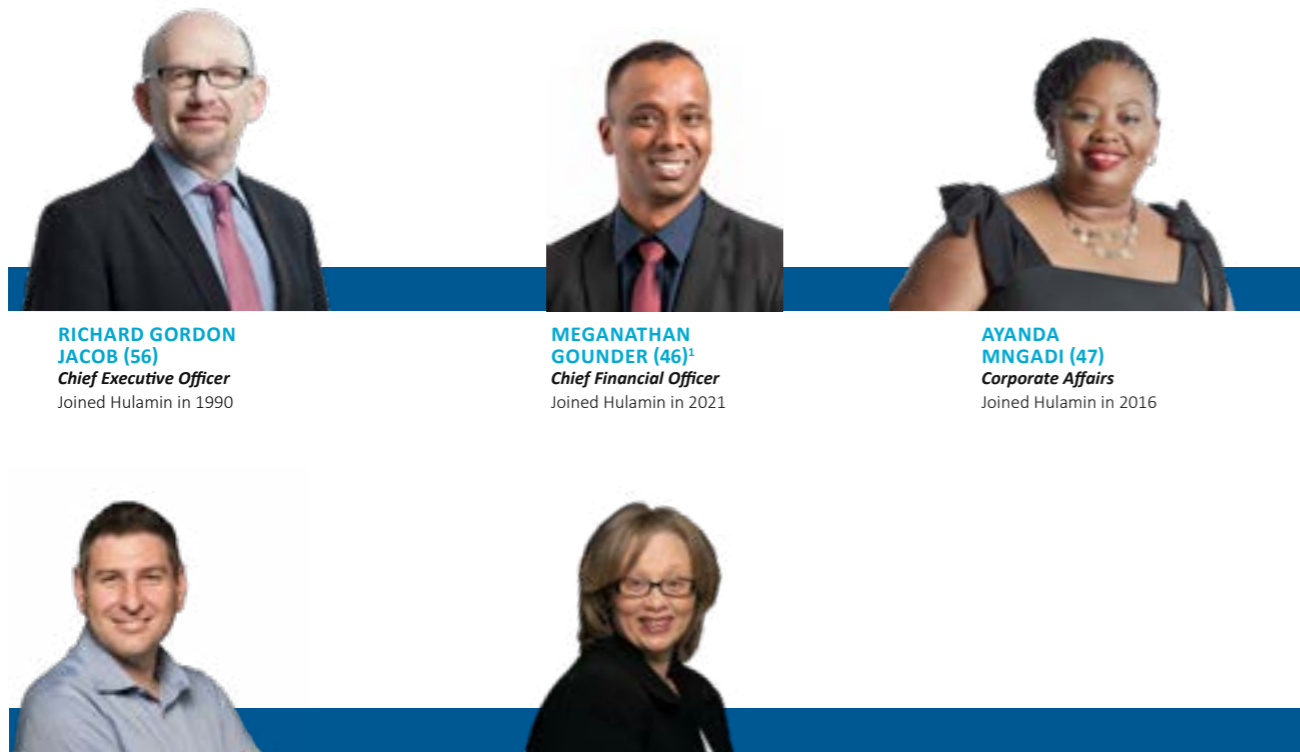
*Note 1: L M Farquharson appointed as Acting CFO and Director and member of Risk Committee for the period 1 November 2020 to 31 March 2021.*

*Note 2: M Gounder was appointed as CFO, Director and member of Risk Committee from 1 April 2021.*

*Note 3: Independent Board Committee was established in September 2021.*

For further information on the core responsibilities and composition of our committees, and the attendance records of the Boards and Board committee meetings, refer to our separate Governance Report available on our website.

# Executive committee



**RICHARD GORDON JACOB (56)**  
Chief Executive Officer  
Joined Hulam in 1990

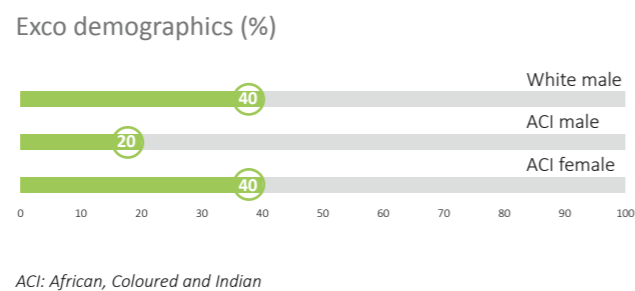
**MEGANATHAN GOUNDER (46)<sup>1</sup>**  
Chief Financial Officer  
Joined Hulam in 2021

**AYANDA MINGADI (47)**  
Corporate Affairs  
Joined Hulam in 2016

**CLAYTON FISHER (45)**  
Group Executive & Rolled Products Managing Director  
Joined Hulam in 2009

**MARLENE JANNEKER (50)**  
Human Capital  
Joined Hulam in 1995

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



<sup>1</sup> Appointed as CFO with effect from 1 April 2021  
Note: Ages quoted are at 31 December 2021.

Refer to our website at [www.hulamin.co.za](http://www.hulamin.co.za) for a detailed résumé of the Executive Committee.

# Our long term business goal

Our long-term business model changes are closely linked to our Vision Pillars as illustrated on pages 10 and 12. Specific growth areas are as follows:



# Our strategy

## Hulamin's Vision and Focus



## Hulamin's Strategy

### Phase 1 Stabilise and strengthen the core business

- Operational performance:
- Grow volumes.
- Manage Covid-19 disruptions.
- Reduce costs.
- Manage working capital.
- Optimise margins.
- 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

- Technology research and innovation.**  
Foster an innovation culture and invest in product/market development capability (technology, skills and equipment).
- 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.
- 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
- Supportive regulatory environment
- Information technology
- Governance

## 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 2021, Hulamin made substantial progress in concluding the implementation of the 2019 turnaround plan, recovering from Covid-19 disruptions, and mitigating external risk.

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



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

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

- 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

- 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



# CEO's review

Hulamín started 2021 with a sense of hope that 2020 was behind us, that most of the 2019 and 2020 risks had been successfully mitigated, and that improvement momentum had been established. Following blockages in our USA distribution channel during 2019 and the Covid-19 pandemic with its consequent impacts on business during 2020, the 2021 year started with the news that the South African Government had followed the International Trade Administration Commission (ITAC) recommendations and approved a duty on rolled aluminium imports into South Africa.



Although the duty change took some months to fully impact the domestic market, local demand grew strongly in 2021. Beverage can stock sales in Southern Africa grew 109%, while sales of other local rolled products grew 31%. Total regional market rolled-products sales reached close to 90 000 tons, up 54% on 2020. Hulamín Extrusions continued its improvement trend, following its consolidation and restructure which was concluded in 2019. Hulamín Extrusions sales grew 17% in 2021.

## Operational review

Hulamín enjoyed a strong recovery in 2021 in all divisions. The key driver underpinning these improvements was the more stable and consistent manufacturing performance driving volume growth. In addition, the realisation of higher prices, ongoing tight cost controls, and metal price-lag profits earned, also contributed measurably. Hulamín Rolled Products improved its sales by 34%, while Hulamín Extrusions improved its sales by 17%. Cash remained tight throughout the year as a result of higher LME Aluminium price absorption into working capital.

Hulamín Rolled Products grew local sales by 65% on the back of increasing its can stock sales by 109%, increasing other sheet and plate products by 30%, and increasing local foil by 35%. Hulamín Rolled Products improved its second-half sales volumes to 112 000 tons (from 96 000 tons in H1), an increase of 17%. Hulamín Extrusions grew sales by 17% on aggregate in 2021.

Demand for beverage can stock has firmed widely across the globe over the past two to three years. This has been driven largely by environmental trends. There are two major environmental factors driving this: Firstly, concerns about the environmental impact of single-use plastics (largely in the carbonated soft drink market); and secondly the recognition of aluminium as a 100% recyclable material. This growth trend has begun to have a major impact on the local market too, where a shortage of glass containers has supported the alcohol market in addition to the above factors. Increases in conversion prices have followed as a result.

## The LME aluminium price and metal price lag

The LME Aluminium price rose sharply during 2021 alongside many other commodities, including oil, other metals, and agricultural products. Aluminium traded around USD2 000 per ton in January 2021. Since then, it has strengthened significantly, peaking at over USD3 000 per ton in October 2021. This increase of approximately 50% raised the Rand Aluminium price by a similar amount. Hulamín is exposed to movements in the Rand Aluminium price through the valuation of its working capital. In our current unhedged state, changes in the value of Aluminium are recorded as Metal Price Lag (MPL) profits and losses. At the same time, these higher working capital values negatively affect cash flows. During 2021, both Hulamín Rolled Products and Hulamín Extrusions recorded MPL profits.

## Financial performance

Group sales volumes in 2021 grew by 34% to 222 000 (2020: 166 000) tons. Coupled with the increase in the Rand Aluminium price, Group turnover grew by 152% to R13 billion (2020: R9 billion).

Gross profit increased by 183% to R1.6 billion. Aside from the hedging losses incurred in the prior year, costs were in line with the prior year, on a unit cost basis, giving an operating profit of R538 million (2020 restated: R82 million). Normalised EBITDA, which excludes the MPL, increased by 264%.

Headline earnings improved to R560 million from a R220 million loss in the prior year.

## 2019 turnaround actions

### Turnaround action goal

### What we aim to achieve

<b>Cost reduction</b>	Approximately R330 million annual savings in both Hulamín Rolled Products and Hulamín Extrusions.
<b>Increase Hulamín Rolled Products to 2015 to 2018 volumes</b>	Full capacity utilisation in Hulamín Extrusions, following the single-site consolidation into Pietermaritzburg.
<b>Rebuild the USA route to market (distribution channel)</b>	Following the disruption to a historic exclusive-agency arrangement, this action was designed to access full customer demand for Hulamín products in the USA and thereby ensure that Hulamín Rolled Products has sufficient orders for full capacity utilisation.
<b>Inventory reduction</b>	To reduce investment in inventory by R215 million or 11 000 tons.

Following the Olifantsfontein plant closure in late 2019, the Hulamín Extrusions business has been successfully consolidated into a single-site operation in Pietermaritzburg. The business is trading profitably, in spite of extremely tough market conditions that include a significant slowdown in automotive manufacturing.

## Acknowledgements

In 2021, we said farewell to a long-time colleague, Company Secretary Willem Fitchat. Willem served both the board and management with great loyalty, competence and diligence. We will greatly miss Willem in the quiet way he went about delivering on all the tasks required of him, managing board and executive committee meetings and tasks with quiet confidence and faultless execution.

In April 2021, we welcomed Mark Gounder into the Group Executive team, in the role of Chief Financial Officer. Since joining the team, Mark has fitted in exceptionally well, has brought new energy into the finance and leadership teams, and has renewed our efforts to tighten up the control environment. I am delighted with the impact Mark has made in so many areas of the business and look forward to extending our excellent working relationship into the future.

## Metal supply

Hulamín and South32 signed a new five-year agreement in 2019 for the supply of molten and solid ingot aluminium. This was to supply Hulamín requirements in all Richards Bay and Pietermaritzburg operations.

Negotiations progressed constructively, culminating in Hulamín and South32 signing conditional agreements for the period 2020 to 2024 (inclusive). Agreed terms were mutually acceptable, and similar or better when compared to the previous contract.

One outstanding condition precedent was the finalisation of electricity supply agreements between Hillside and Eskom. In 2021, the National Energy Regulator of South Africa (NERSA) approved a new agreement between these parties, making the agreement between Hulamín and Hillside unconditional. We look forward to benefiting from the new agreement in the years to follow.

## Prospects

We are delighted with the turnaround shown and performance achieved in 2021. Although financial results were bolstered by MPL profits, the underlying business health has improved considerably. Increases in the value of unit working capital (Rand Aluminium prices) will likely constrain the balance sheet and may constrain volumes should further rises be recorded. We expect the disruptive effects of the Covid-19-related lockdowns to dissipate further during the course of 2022. Order books remain healthy at elevated prices. Should economic conditions remain in 2022, we expect that the improvements evidenced in 2021 will continue.

**Richard Gordon Jacob**  
Chief Executive Officer



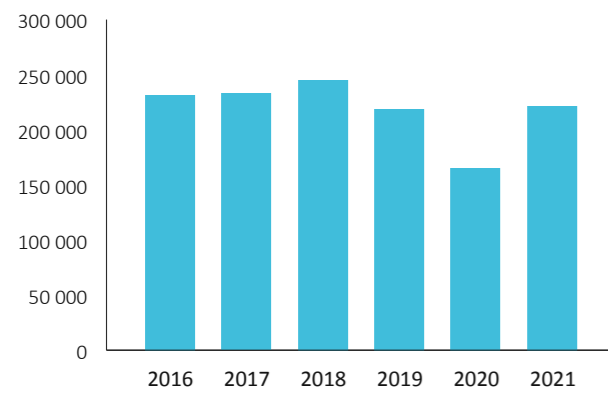
# Chief financial officer's review

## Highlights

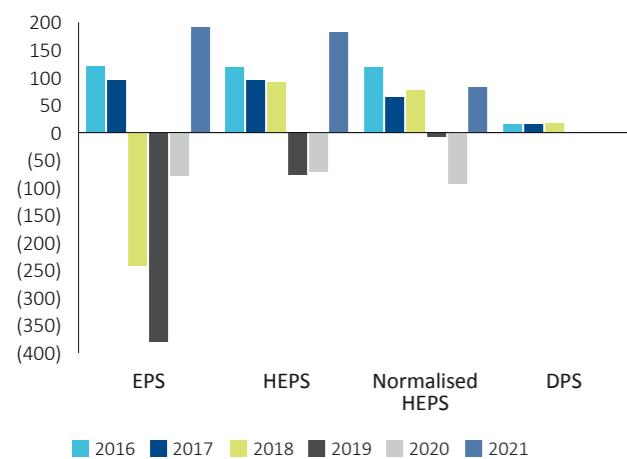
- Earnings per share of 192 cents improved by 347%
- Headline earnings per share of 182 cents compared to headline loss of 71 cents in prior year
- Sales volumes improved by 34%, driven by the growth in beverage can consumption
- Free cash inflow of R141 million on improved sales volumes and Dollar LME prices
- Balance sheet protected, debt/equity decreased to 24%



Group sales volume (tons)



Earnings performance



## Business overview

Hulamin returned to profitability following two years of declining operational performance.

This return was driven by increased volumes due to higher global demand and improved capacity utilisation, higher realised prices resulting in improved margins, the positive impact of the movement in the Rand LME price and substantial growth in local sales.

The Rand was on average 10% stronger against the US Dollar, averaging R14.79 versus R16.47 in the prior year.

Normalised headline earnings per share ("HEPS")<sup>1</sup> increased to a profit of 82 cents (2020: loss of 94 cents). This resulted in a 254% increase in normalised EBITDA<sup>1</sup> to a profit of R152 million (2020: loss of R99 million).

HEPS improved to a profit of 182 cents (2020: loss per share of 71 cents). Headline earnings were impacted by the following items:

- strong manufacturing performance;
- beverage can stock sales in Southern Africa growth of 109%;
- a positive metal price lag ("MPL") of R426 million (2020: R112 million), resulting from the rise in the Rand aluminium price during 2021 (due to the suspension of the MPL hedging strategy Hulamin captured 100% of the increase in the Rand aluminium price);
- profit realised on the Olifantsfontein plant closure sale; and
- the recognition of deferred tax assets arising from assessed losses and deductible temporary amounting to R115 million (R101 million from temporary differences and R14 million from assessed losses).

A profit per share of 192 cents was recorded in 2021, which is an improvement of 346% over the loss per share of 78 cents recorded in the prior year, attributable to improved sales volumes, higher margins, positive MPL, profit on Olifantsfontein plant closure sale and recognition of deferred tax asset.

Hulamin improved its cash generated from operations in 2021 thereby alleviating the pressures experienced in 2020 on working capital and produced positive free cash flows of R141 million against the prior year negative free cash flows of R484 million.

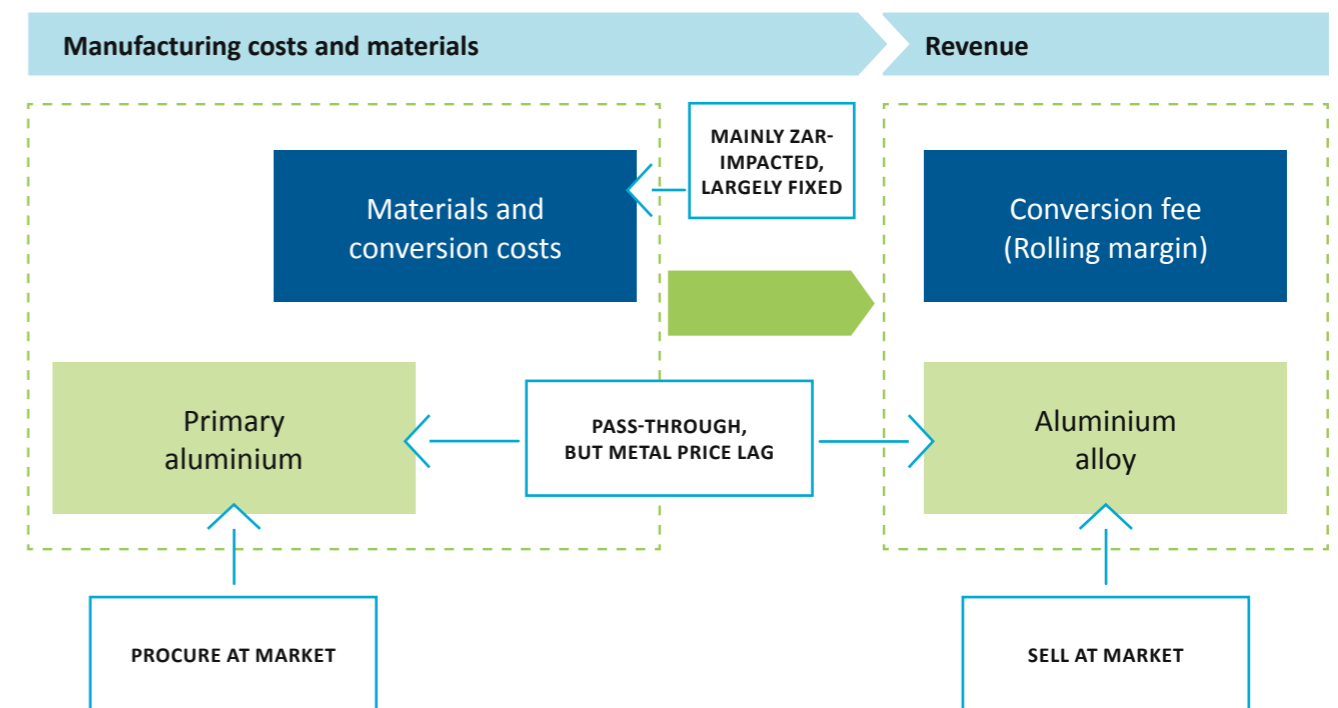
At 31 December 2021, the group's net borrowings were R651 million (2020: R751 million) and net debt was R703.5 million (2020: R818 million). This represents a net debt to equity ratio of 24% (2020: 35%).

Due to both increasing pressure on liquidity and reduced headroom due to increasing Dollar LME prices into 2022, no dividend has been declared for the 2021 financial year (2020: nil).

## Key drivers of financial performance

Hulamin purchases primary aluminium and converts it into rolled or extruded aluminium products. The company sells the aluminium component of its products and, in addition, earns a conversion margin as compensation for its costs of casting, rolling, extruding and finishing its various products. Hulamin's manufacturing costs are largely Rand-denominated and fixed in nature, whereas its conversion fees are largely foreign currency denominated.

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



## Chief financial officer's review continued

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

Driver	Impact on value creation	Current period	Response
<b>Currency levels and volatility</b>	<ul style="list-style-type: none"> <li>Hulamín's profits are highly sensitive to currency levels as the group's conversion margins, particularly in its Rolled Products segment, are largely US Dollar and Euro denominated, whilst the group's manufacturing costs are largely Rand-based.</li> <li>A large proportion of receivables are foreign-denominated. Hulamín is also exposed to foreign denominated trade creditors and import transactions, notably hardeners and capital expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>The Rand strengthened 10% against the US Dollar from an average of R16.47 in 2020 to an average of R14.79 during 2021.</li> <li>The Rand was 4% stronger against the Euro from R18.26 on average in 2020 to R17.49 on average during 2021.</li> </ul>	<ul style="list-style-type: none"> <li>The group hedges its currency exposures on foreign denominated receivables and payables from invoice date to expected receipt or payment date, and on import transactions from the date of commitment. This hedging is by way of forward exchange contracts.</li> </ul>
<b>Volatile product markets</b>	<ul style="list-style-type: none"> <li>Hulamín's profits are highly sensitive to sales volumes and conversion fees, due to its high proportion of fixed costs.</li> <li>These are impacted by the mix of products produced and sold and the demand/supply dynamics of geographic markets and industry segments into which these products are sold.</li> <li>In turn, these are impacted by the macroeconomic environment, geo-politics and tariffs and trade flows.</li> </ul>	<ul style="list-style-type: none"> <li>Demand for beverage can stock increased both globally and locally driven largely by both environmental considerations and a glass shortage.</li> <li>New automotive sheet products were launched in the US Electric Vehicle market resulting in an additional 1 300 tons sold in 2021.</li> <li>Volumes in the second half of 2021 were further impacted by the global microchip issue which impacted volumes from the automotive sector.</li> </ul>	<ul style="list-style-type: none"> <li>A 15% domestic duty on imported rolled products was announced on 31 December 2020 and even though it took some months to fully impact the local market, local can stock sales grew 109%, while sales of other local rolled products grew 31%.</li> <li>The anti-dumping duty on common alloy aluminium imported was finalised at a rate of 8.85% in April 2021 and is favourable in relation to Hulamín's competitors.</li> </ul>
<b>Level and volatility of the aluminium price (currency and commodity price risk)</b>	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>Similarly, the Rand fluctuates against the US Dollar during this period, resulting in the purchase price of aluminium in Rand differing from the price realised upon sale.</li> <li>On an unhedged basis, this can result in a high level of profit volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales</li> <li>However, there is a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.</li> </ul>	<ul style="list-style-type: none"> <li>The LME price strengthened from USD1 978 per ton at the end of 2020 to USD2 805 per ton at the end of 2021. The annual average increased 46% from USD1 702 per ton in 2020 to USD2 480 in 2021.</li> <li>The average Rand LME price, a closer indicator of metal price lag, increased 30% from 2020 to 2021.</li> </ul>	<ul style="list-style-type: none"> <li>The group uses derivative instruments, forwards and swaps to reduce these profit and loss exposures. In the past the group applied a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the price lag.</li> <li>The unhedged fluctuation in the ZAR aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits.</li> <li>Eliminating 100% of the price lag with derivatives would create a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than sale proceeds received net of derivative settlements.</li> <li>Due to the increased liquidity risk in 2020, the MPL hedging was suspended during the year. The 50% compromise between earnings and cash flow stability was replaced with a focus on cash flow stability.</li> <li>During the current financial year, the group made a pre-tax gain of R426 million from metal price lag (2020: R112 million gain). This net gain was made up of US Dollar-denominated profits on the purchase and subsequent sale of metal, net of related currency gains.</li> </ul>

Driver	Impact on value creation	Current period	Response
<b>Cost base</b>	<ul style="list-style-type: none"> <li>Inflationary cost increases in South Africa places pressure on our cost base.</li> </ul>	<ul style="list-style-type: none"> <li>The inflation rate for South Africa increased from 3.3% in 2020 to 4.61% in the current year.</li> </ul>	<ul style="list-style-type: none"> <li>We seek to mitigate the effects of inflation through cost efficiencies and pricing improvements.</li> <li>Focus on optimising our cost base continued in 2021 albeit at a smaller impact than experienced in 2020 due to a reversion to normal operating levels in 2021.</li> </ul>
<b>Liquidity</b>	<p>An increase in debt levels can result from:</p> <ul style="list-style-type: none"> <li>a sharp rise in working capital, arising from a misalignment of metal procurement and sales.</li> <li>losses arising from low levels of sales, due to the high fixed cost base of the business.</li> <li>Rapid changes in currency or LME levels, impacting the cash flows from derivatives.</li> <li>High levels of investment in capital expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>Hulamín secured an extension to the committed working capital facility until September 2023 which is repayable in six equal monthly instalments beginning from 1 April 2023.</li> <li>Adequate liquidity was maintained throughout the year under review and covenants were comfortably met.</li> </ul>	<ul style="list-style-type: none"> <li>Hulamín has a working capital borrowing base facility in place which is secured by eligible inventory and receivables to provide appropriate levels of available liquidity.</li> <li>The impact of sharp changes in currency levels and commodity prices on derivatives is closely managed by the group's treasury committee.</li> <li>Capital expenditure is closely monitored and controlled by the group's capital expenditure committee.</li> </ul>
<b>Interest rate</b>	<ul style="list-style-type: none"> <li>The group is exposed to interest rate risk with respect to its borrowings which carry variable rates.</li> </ul>	<ul style="list-style-type: none"> <li>Interest rates were stable for most of 2021 with the 1-month JIBAR averaging about 3.52% in 2021 against a prior year average of 4.5%. The prime lending rate was 7% for most of 2021, increasing by 0.25% in November 2021 to end the year at 7.25%.</li> </ul>	<ul style="list-style-type: none"> <li>Net interest expense of R55 million was 50% higher than that incurred in the prior year, partly as a result of higher drawdown of facilities during the year.</li> </ul>

## 2021 financial performance review

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

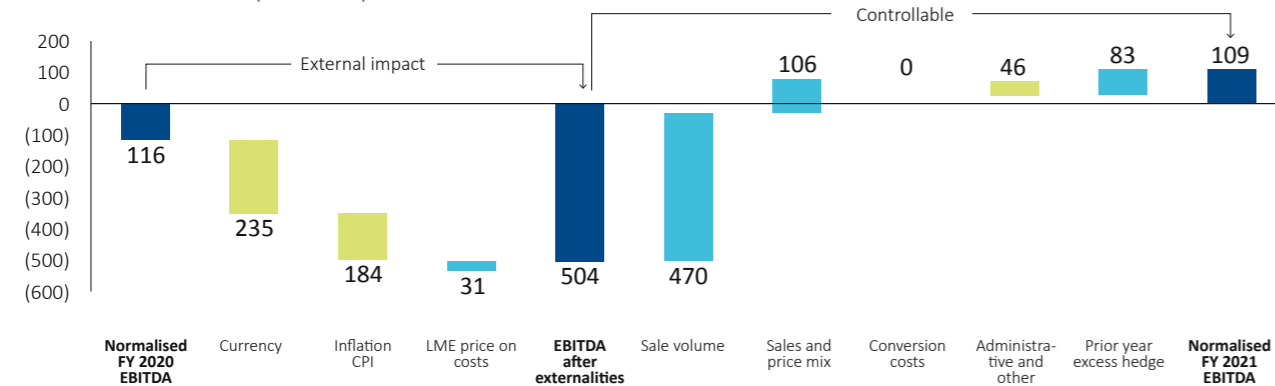
### Segment performance review

	Rolled Products		Extrusions	
	2021 (Rm)	2020 (Rm)	2021 (Rm)	2020 (Rm)
Core				
Revenue	12 298	8 006	717	543
EBITDA	539	(14)	85	5
Net profit/(loss)	498	(213)	93	(18)
Headline earnings/(loss)	496	(201)	64	(10)
Net asset value	2 762	2 304	160	64

Note 2.1(b) of the group consolidated financial statements discloses more information on the contribution by operating segment.

## Chief financial officer's review continued

Normalised<sup>1</sup> EBITDA (R million)



### Rolled products

Rolled Products recorded an EBITDA of R511 million, an improvement of 103% over the prior year's loss of R5 million, driven by improved sales coupled with higher Dollar LME prices. On a normalised basis, EBITDA was R109 million, an improvement of 193% over the prior year's normalised EBITDA of R116 million.

Rolled Products grew its local sales by 65% on the back of increasing its can stock sales by 109%, other rolled sheet and plate products by 30%, and local foil by 35%. Rolled Products improved its second half sales volumes from 96 000 tons to 112 000 tons in the second period, an increase of 17%.

Demand for beverage can stock has firmed widely across the globe over the past 2 to 3 years. The increase in local beverage can stock demand is in line with global trends, driven by the environmental impact of single use plastics (largely in the carbonated soft drink market) and the recognition of aluminium as a 100% recyclable material as well as a shortage of glass in the region. This growth trend has begun to have a major impact on the local market too, where a shortage of glass containers has supported the alcohol market in addition to the above factors. Increases in conversion prices have followed the increased demand.

The impact of Covid-19 on Rolled Products was less pronounced in 2021 than it was in 2020. Although operational and market disruptions were experienced in 2021, the level of lockdown applied in South Africa was less severe than in 2020. Notably the lower domestic demand for beverage can products (owing to the ban on alcohol sales for part of 2020) was not repeated in 2021. Consequently, the increase in debt levels during 2020 was not repeated in 2021.

In December 2020, the South African government announced that a 15% import duty on rolled aluminium products would be imposed from January 2021. This significantly contributed towards an increase in demand for local Rolled Products in 2021.

Hulamin's manufacturing cost base is largely fixed in nature. Manufacturing costs were relatively constant in relation to the prior year due to improved plant utilisation efficiencies.

### Metal price lag

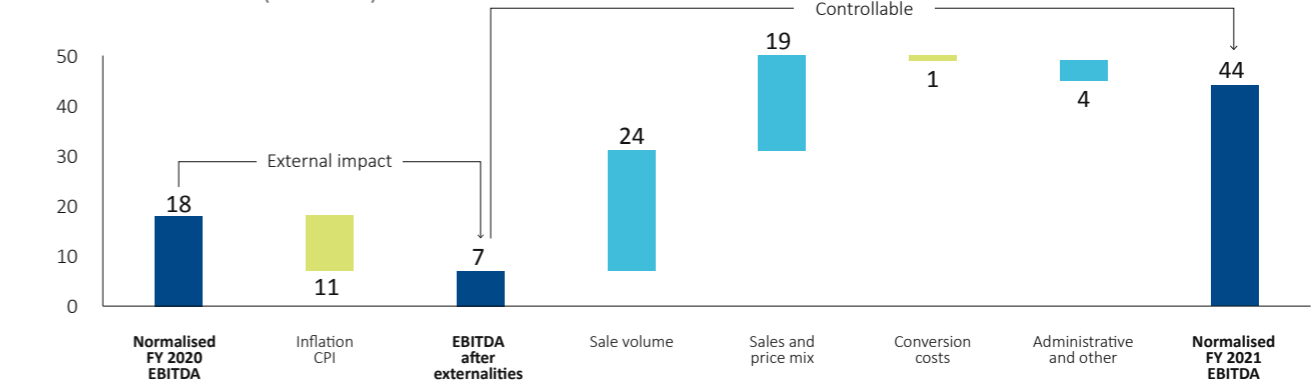
A MPL gain of R425 million was recorded in 2021, which is an increase of 379% against the gain of R112 million realised in the prior year due to the Dollar aluminium price increase during 2021. In anticipation of tight liquidity due to Covid-19 disruptions, the programme to hedge the metal price lag by 50% was suspended at the end of March 2020 and this suspension continued throughout 2021 to reduce cash flow volatility from the commodity and currency derivative instruments. Once liquidity headroom improves during 2022, Hulamin will consider the timing and quantum of restoring our hedging programme.

### Extrusions

Extrusions earned an EBITDA of R85 million, an improvement of 184% over the prior year's profit of R5 million. On a normalised basis, EBITDA was R44 million, an improvement of 338% over the prior year's normalised EBITDA of R18 million. Current year EBITDA includes profit realised from the sale of the Olifantsfontein plant of R41 million.

2021 was a year of two contrasting halves for Extrusions. The strong demand evidenced in the latter half of 2020 continued into the first half of 2021 resulting in an additional R17 million to the normalised EBITDA. Although there were still some minor disruptions due to the ongoing Covid-19 waves, the business was able to take advantage of the strong order book and translate that into strong financial performance.

Normalised<sup>1</sup> EBITDA (R million)



By contrast, the second half of the year was highly disrupted by lost volumes caused by the civil unrest experienced in June in KZN, the global microchip issue in the automotive sector and a strike in the Metal and Engineering sector in October.

Extrusions results benefitted from the restructuring process began in 2019 which resulted in lower overhead costs and improved manpower productivity.

### Depreciation and impairment charges

Depreciation and amortisation charges increased by 36% to R86 million in 2021, from the R64 million recorded in 2020, largely as a result of the significant capital works in progress capitalised and commissioned in the current year.

No impairment was recognised in 2021 compared to R8 million recognised in 2020 in relation to the Extrusions business.

### Finance costs

Net interest expense increased by 50% from R37 million in the prior year to R55 million in 2021. This was largely a result of the increased utilisation of our borrowing facilities during the current financial year.

### Taxation

The effective rate improved from negative 99.6% to negative 23.1% in the current year. The improved effective rates arise from the recognition of deferred tax assets in the current year of R113 million arising from a deductible temporary difference (R115 million) and recognition of assessed losses (R14 million).

### Headline and normalised loss

Headline earnings for the group improved by 139% to R560 million in 2021, in comparison to a R220 million loss in the prior year.

Normalised headline earnings increased by 216% to R252 million in the current year, in comparison to a loss of R291 million in the prior year. The improved earnings is attributable to higher sales volumes coupled with the deferred tax asset recognised. Headline earnings are reconciled to normalised headline earnings in note 2.1(b) of the group consolidated annual financial statements.

### Free cash flow

Cash generated from operations was an inflow of R288 million versus an outflow of R280 million in the prior year, where 2021 was boosted by improved sales volumes at the back of higher local can stock.

Gross capital expenditure was R96 million and after lower interest and taxation cash flows, a free cash inflow of R141 million was recorded in 2021. This contrasts with the free cash outflow of R485 million in 2020.

### Cash flow before working capital

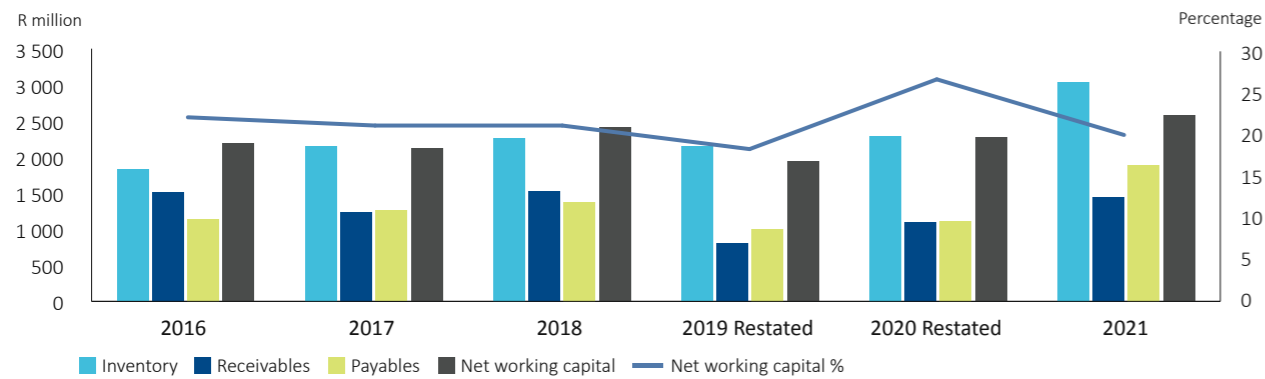
Cash flow before working capital improved significantly compared with the prior year due to improved volumes and the MPL realised. Cash flow before working capital improved by 877% to R579 million from the R66 million recorded in the prior year.

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

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

## Chief financial officer's review continued

### 5-year net working capital performance



### Working capital management

Hulamin's net working capital as a percentage of revenue improved in 2021 due to the increase in revenue. This was despite the Rand LME price ending the year significantly higher than the average price for the year. Net working capital as a percentage of revenue reduced from 27% in 2020 to 20% in 2021. While revenue is influenced by the annual average Rand price of aluminium, the year's closing working capital is largely driven by the significant increase in inventory on hand of R3 billion at the end of 2021 in comparison to R2.2 billion in the prior year largely driven by the Rand LME for the fourth quarter which was R5 000 a ton higher than the 2021 average Rand LME price.

Cash outflows from working capital improved by 16% to R291 million in 2021 versus an outflow of R346 million in the prior year.

Receivables are insured, with a 20% deductible, and the quality of our book remains good.

### Capital expenditure and commitments

Capital expenditure of R154 million was higher than the spend in 2020 of R140 million where in 2020 capital expenditure was limited in order to preserve liquidity during the Covid-19 disruptions. 2021 saw a return to the capital spend programme in order to maintain the operating capacity of the Hulamin production facilities. An amount of R23 million (2020: R52 million) has been contracted and committed but not spent.

### Capital management Borrowings and liquidity

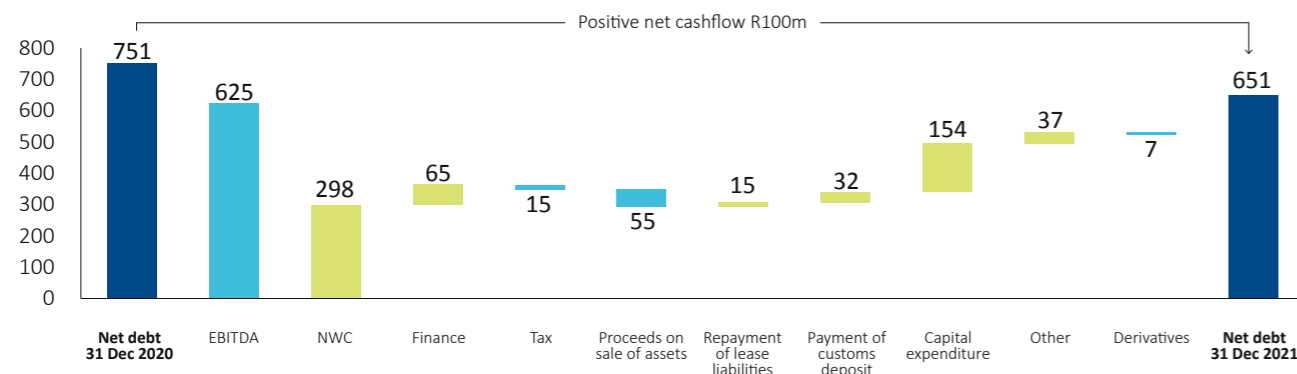
Net borrowings closed at R651 million, down from the R751 million prior year closing position.

Net borrowings comprised a R800 million revolving working capital loan, reduced by cash balances of R149 million. Direct committed facilities totalled R1 400 million, leaving headroom of R849 million at year-end. The GBF of R300 million comprises direct committed facilities of R200 million and indirect facilities of R100 million (guarantees and letters of credit).

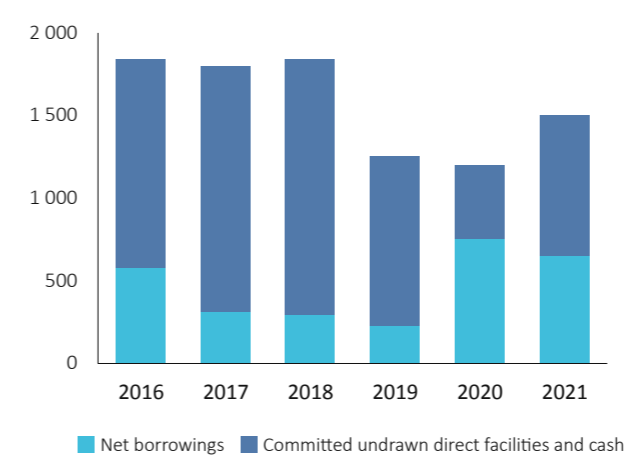
Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants were met in the 2021 financial year.

Gearing (net debt to equity) decreased to 24% by the end of the year from a prior year gearing of 35%, with equity significantly improved by the current year profit.

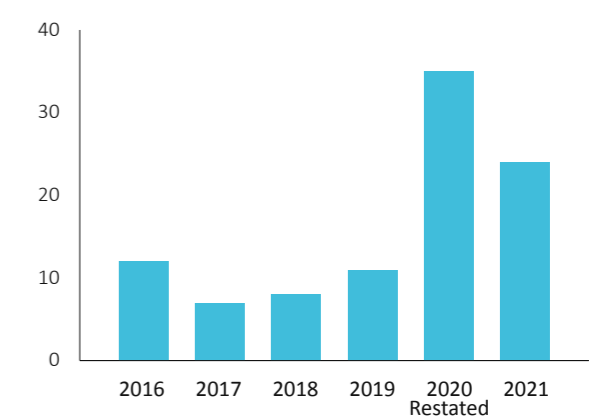
### Borrowings and liquidity (R million)



### Net borrowings and headroom (R million)



### Net debt to equity (%)



### 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 2021 financial year (2020: nil dividend).

The group did not undertake any share repurchases in 2021.

### Accounting policies

#### New accounting standards

Several new or amended standards became applicable for the year ended 31 December 2021 as described in note 1.2 (a) of the financial statements.

#### Prior year restatement

The financial statements for the 2020 and 2019 years have been restated. This restatement arose as a result of an exercise Hulamin embarked upon as a consequence of the remediation project arising from the ongoing internal controls assessment performed as reported on in the 31 December 2020 Report of the Audit Committee. The outcome of this project was a revision of the costs historically incorrectly capitalised to inventory at year-end in terms of IAS2: Inventory.

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

### Events after the balance sheet date and going concern

Material events between the end of the financial year and the date of approval of the financial statements have been detailed in the Directors Statutory Report of the financial statements.

Despite the pressure placed on the group's liquidity position during 2021 and going into 2022, 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 2021, therefore, 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 2023 as explained in note 1.9 of the group financial statements. It is recognised, however, that various uncertainties could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs.

### Conclusion and outlook

Hulamin enjoyed a strong recovery in 2021 across the divisions mainly by more stable and consistent manufacturing performance driving volume growth, realisation of higher prices and ongoing cost controls. Although financial results were bolstered by MPL profits, the underlying business health has improved considerably. Increases in the value of unit working capital (Rand Aluminium prices) will likely constrain the balance sheet and may constrain volumes should further rises be recorded. We expect the disruptive effects of the Covid-19-related lockdowns to dissipate further during the year. 2022 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 2021 will continue.



# Risk management

The employment of an effective risk management process is critical to Hulamín achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. Hulamín recognises that risk is intrinsic to the business and that there is a balance to be struck between managing threats and exploiting opportunities. The Group’s possible response to identified risks includes acceptance, avoidance, transfer and mitigation, as informed by the Group’s risk appetite and tolerance levels. It is Hulamín’s policy that risks should be understood and managed through a relevant and formal structure to facilitate the achievement of the business’s long-term objectives. These objectives recognise the interests of all stakeholders in the business, as informed by the group’s risk appetite and tolerance levels.

It is Hulamín’s policy that risks should be understood and managed through a relevant and formal structure to facilitate the achievement of the business’s long-term objectives, which recognise the interests of all stakeholders in the business as informed by the group’s risk appetite and tolerance levels.

The formal structure assists in:

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

## Internal control and assurance

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

A key element of the system of internal control is the review by assurance providers, who assess the adequacy and effectiveness of the controls. The group’s internal audit function is primarily responsible for assessing the design adequacy and operating effectiveness of internal controls and risk management.

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

## Risk management framework

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



## Risk governance responsibilities

<b>Board</b>	Ultimately responsible for the governance of risk for the group and assumes overall ownership thereof. The board carries out its responsibilities for risk management via the Risk Committee, a sub-committee of the board that has oversight of the group’s enterprise risk management framework, policy and processes.
<b>Executive Committee</b>	Supported by management, supports Hulamín’s risk management philosophy; promotes compliance with Hulamín’s risk appetite; identifies, assesses and manages risk within their spheres of responsibility, consistent with risk appetite and tolerances; and manages the implementation of risk-reduction actions and appropriate internal controls.
<b>Risk Management Committee</b>	A sub-committee of the Executive Committee is accountable to the board Risk Committee for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the various departments. The risk management committee coordinates cross-functional scenario teams (internal and external expert sources) to monitor scenario flags, and implement appropriate strategic and tactical responses.
<b>Employees</b>	All Hulamín employees are responsible for executing ERM in accordance with established directives and protocols
<b>Stakeholders</b>	A number of external stakeholders often provide information useful in effecting ERM, but they are not responsible for the effectiveness of Hulamín’s ERM process. Various external and internal parties provide risk assurance and compliance.


## Summary of key aggregated risk and opportunity

The most material risks to the group, on a residual-risk basis, are set out below with more details provided in following pages.


- Financial risk.
- Covid-19 pandemic.
- Environmental sustainability and low-carbon economy.
- Social bankruptcy and political unrest.
- Information security and cybersecurity.
- Global trade legislation and tariffs – local duties and USA anti-dumping duties.
- Reduced operational asset risk due to integrated shut completed in April 2021.



# Risk management continued

Risk number	Aggregated risk	Capital	Risk category	Risk name and context	Impact on Hulamín	Risk-mitigating activities and controls
1	Financial risk	Financial Capital	Liquidity	<p><b>Liquidity</b> (Refer to page 129)</p> <p>The group's liquidity is affected by operational and market stability that impacts cash generation, available cash, borrowing facilities and lines of credit, and future commitments.</p> <p>Hulamín's liquidity position has been negatively impacted by the lockdowns brought on by the Covid-19 pandemic. Significant uncertainty regarding operational and market stability remains in the near term.</p>	<ul style="list-style-type: none"> <li>The inability to meet working capital requirements, constraining operations.</li> <li>The inability to fund and execute strategic and improvement projects, delaying strategic progress.</li> <li>Excessive interest charges, due to higher borrowing levels and credit costs.</li> </ul>	<p>At the start of 2021, liquidity was maintained and covenants were met. However, during 2021 the impact of the Covid-19 pandemic, social unrest and cyber hacking at the Durban port placed significant pressure on the group's liquidity position in the second half of 2021.</p> <p>The increasing metal price was also a contributing factor to a constrained borrowing facility.</p> <p>Liquidity was a key agenda item in the Covid-19 command council meeting chaired by the CEO, and was monitored on a daily basis and chaired by the CFO.</p> <p>A prudent and proactive approach to managing liquidity has been adopted. Additional borrowing facilities were approved until the middle of 2022.</p> <p>Evaluation of the financial position of the group, management of cash flow, and proactive engagement with bankers and funders is ongoing.</p> <p>Cost-reduction measures and a deferral of non-critical capital expenditure were implemented. Monitoring, supported by regular cash-flow projections, is ongoing.</p> <p>Monitor and drive action plans to achieve objectives set by the environmental sustainability (science based targets) and other sustainable measures to ensure a successful engagement with banks and funders.</p>
2	Impact of COVID-19	Social and Human Capital	Strategic (macro-economic, market demand)	<p><b>Covid-19 risk to economy and industry</b>  Refer to the Sustainability report.</p> <p>During 2021, Hulamín experienced three Covid-19 infection waves. The second half of South Africa's second wave was experienced in January 2021, with the third wave spanning June, July and August 2021. The fourth wave crept in during December 2021.</p> <p>The third wave proved to be the most devastating wave experienced by Hulamín, with the unfortunate passing of six of our colleagues due to Covid-19. A total of 208 colleagues tested positive – an increase of 105% over the second wave. The duration of the third wave's peak was 200% longer than previous waves, lasting 10 weeks as opposed to the three weeks of the previous waves.</p> <p>It is with sadness that we report a total of eight colleagues who passed away during 2021 due to Covid-19, two during the second wave and six in the third.</p> <p>It is a true blessing that no employees passed away during the fourth wave. Hulamín ensured that the families of those who had passed away were well supported during their time of grief, with the company's Covid-19 task team checking in on family members during their grieving period and after.</p>	<p>The impact of Covid-19 after three infection waves in 2021 had a severe and long-lasting effect on employees and added significant complexity to the operation of the business.</p> <p>This has resulted in a reassessment of our risks and their impact on our operations.</p> <p>A programme of vaccination was completed, with a 65% take-up rate.</p> <p>Apart from the significant risk to employee health and welfare, the impact of the pandemic acts as a trigger for a number of other identified risks, including disruption to our manufacturing operations and supply chain; a domestic and global economic slowdown that impacts demand for our products.</p>	<p><b>Governance and leadership</b> Crisis management protocols that were established in 2020 continued in 2021, where a Covid-19 command council committee comprising senior executives across the group met daily. Their role was to:</p> <ul style="list-style-type: none"> <li>manage primary activities, monitor key metrics and identify areas of emerging risk;</li> <li>provide consistent communication and guidance to employees;</li> <li>proactively engage with government;</li> <li>conduct regular and ongoing communication with suppliers, customers, and other key stakeholders;</li> <li>provide an ongoing review of business scenarios; and</li> <li>adapt strategy implementation in accordance with business resilience protocols.</li> </ul> <p><b>Employees</b> Provision of support to employees that considered their wellness, safety and security. Provision of ongoing training and information on the pandemic, and ensuring awareness of Hulamín site protocols relating to Covid-19.</p> <p><b>Operations</b> A focus on production continuity under strict conditions, which included:</p> <ul style="list-style-type: none"> <li>mandatory cyclical employee and contractor testing and isolation where required;</li> <li>enforcement of team separation, social distancing measures and mandatory use of masks;</li> <li>supply of company-provided transport for employees who rely on public transport to get to work;</li> <li>stringent cleaning/disinfecting routines; and</li> <li>off-site working arrangements for non-production critical staff.</li> </ul> <p><b>Safety, health and facilities</b> Provision of a workplace for employees that met all Covid-19 health protocols, as well as driving fitness-for-work principles and ensuring safe and stable operations.</p> <p><b>Information technology (IT)</b> Facilitation of remote working by office staff and assisting with virtual communication and engagement. Ongoing protection and monitoring of cybercrime.</p> <p><b>Commercial credit and insurance</b> Monitoring changes in the business environment that impact both customers and the supply chain, with increasing business distress and a tightening in the provision of credit. Proactive engagement with credit, asset and liability insurers.</p> <p><b>Employee vaccination:</b> At the end of 2021, Hulamín achieved a 71% vaccination rate for employees whilst this is still a voluntary scheme.</p> <p><b>Logistics and shipping:</b> A programme to review the entire logistics value chain with a focus on mitigating delays and reducing cost</p>

## Risk management continued

Risk number	Aggregated risk	Capital	Risk category	Risk name and context	Impact on Hulamín	Risk-mitigating activities and controls
3	Cyber security	Manufactured, Human and Intellectual Capital	Operational (Information Technology)	<p><b>Cyber security</b></p> <p>Hulamín's operations and its interactions with its customers, suppliers and other stakeholders increasingly relies on technology platforms to facilitate service delivery.</p> <p>The increase in cybercrime globally has heightened risks relating to disturbances in critical IT systems, business processes and operations, as well as unauthorised access to confidential information and knowledge.</p>	<ul style="list-style-type: none"> <li>Disruption to production and other business processes, resulting in on-time delivery failures and business disruption losses.</li> <li>Financial losses and compliance risk resulting from the theft of information or money, and corruption of data.</li> <li>Reputational risk damage, including loss of customers.</li> </ul>	<p>A comprehensive cyber security roadmap has been established and approved by the Hulamín Board, and actively managed by the exco team.</p> <p>In 2021, vulnerability management and cyber security awareness training was enhanced. The focus for 2022 is to:</p> <ul style="list-style-type: none"> <li>Focus on implementing the cyber security platform.</li> <li>Conduct a cyber assessment with the objective of reviewing the cyber maturity and expanding and continually improving the cyber security roadmap</li> <li>Develop the project plan to enhance the industrial IT security infrastructure.</li> </ul>
4	Environmental sustainability and low-carbon economy	Natural and Financial Capital	Strategic (climate and environment)	<p><b>Reducing greenhouse gas (GHG) emissions</b></p> <p>(Refer to )</p> <p>Local and international government and business have resolved to create a low-carbon economy to slow the accelerating impact of climate change. This has resulted in increasing global environmental regulations.</p> <p>In addition, local and international customers have accelerated their requirements for environmental sustainability in the areas of recycled content and lower carbon emissions.</p>	<p>Increased regulatory and customer pressure on Hulamín's carbon footprint. This is particularly challenging, given the significant reliance on coal-powered electricity in South Africa combined with the high electricity intensity of primary aluminium production. Key customers have indicated that sustainability targets are key order qualifiers.</p>	<p>Our ability to meet and exceed GHG reduction expectations is influenced by indirect emissions outside our control. Hulamín engages continuously on indirect emissions with the key supply chain players e.g. metal suppliers, energy players. Hulamín is cognisant of market drivers linked to low carbon aluminium with renewable energy implementation and increasing recycled content being the biggest levers under our control. The environmental sustainability strategy includes the following the roadmap:</p> <ul style="list-style-type: none"> <li>Increase recycle contents</li> <li>Registration for Aluminium Stewardship Initiative (ASI) completed with certification (performance standard certified)</li> <li>Weatherproofing of the main Edendale plant buildings is ongoing.</li> <li>Ensure flood line mitigation (i.e. that the Duzi River silt is removed and that water drainage channels are kept clear).</li> <li>Progress the science-based target roadmap.</li> <li>Focus on renewable energy projects.</li> </ul>
			Financial (tax)	<p><b>Carbon border adjustment tax</b></p> <p>The proposed Carbon Border Adjustment Mechanism (CBAM) aims to protect EU companies from distorted competition caused by measures taken to meet the EU's carbon emissions standards, as well as carbon leakage. The EU currently aims to reduce its carbon emissions by 55% in comparison to 1990 levels, by 2030.</p>	<ul style="list-style-type: none"> <li>Payment of a carbon tax when exporting metal to the EU.</li> <li>Increased cost of green aluminium.</li> <li>Potential decrease in profitability due to margin erosion.</li> </ul>	<ul style="list-style-type: none"> <li>Understand the metal suppliers' Scope 3 emissions and their road map to reduce carbon emissions.</li> <li>Understand the impact on Hulamín of Scope 3 emissions from 2026.</li> <li>Increasing recycled content. Aluminium scrap is estimated to have a rating of 0.5 to 0.6 tons CO<sub>2</sub>/ton Al.</li> </ul>
			Strategic circular economy	<p>Aluminium is one of the few metals that when recycled does not lose chemical or metallurgical properties. This is ideal for a circular economy. Increasing the recycling content in products will increase environmental sustainability, and hence reduce GHG emissions.</p>	<ul style="list-style-type: none"> <li>Lower cost of raw materials.</li> <li>Reduced GHG emissions in final product.</li> <li>Reduced cost of product.</li> </ul>	<ul style="list-style-type: none"> <li>Partnership with can makers, fillers and government.</li> <li>A shift in Hulamín's scrap and alloy balance strategy. Improvement in scrap consumption.</li> <li>Develop scrap operational improvement roadmap, which includes product development, alloy development, and process improvements.</li> </ul>
5	Social Bankruptcy	Social and Human Capital	Political unrest	<p><b>Increase in social bankruptcy and unrest</b></p> <p>(Freedom, self-sufficiency, wellbeing.)</p>	<p>In July 2021, an increase in riots/protest action in the province led to Hulamín shutting operations for five days. Risk mitigating actions to ensure safety of assets and infrastructure, and raw material supply, needs to be established and implemented.</p>	<p>Risk mitigating actions to ensure safety of assets and infrastructure and raw material supply were established and implemented in 2021. This included enhanced security on site.</p> <p>The focus on the Corporate social investing has been social contracting with our communities through:</p> <ul style="list-style-type: none"> <li>Partnering with the Nelson Mandela Foundation, the education and GBV projects.</li> <li>Flagship and employee volunteer programme which was concluded in 2021 in the local communities.</li> </ul>

## Risk management continued

Risk number	Aggregated risk	Capital	Risk category	Risk name and context	Impact on Hulamín	Risk-mitigating activities and controls
6	Global trade legislation and tariffs	Financial Capital	Strategic political	<p><b>Global trade legislation and tariffs impacting Hulamín's exports</b></p> <p>These risks relate mainly to changes in trade legislation or tariffs imposed on countries or organisations where Hulamín or its supply chain has its operations or market activities.</p> <p>Hulamín has manufacturing operations in South Africa, but supplies customers in over 50 countries around the world and is reliant on global supply chains. Markets and operations are affected by the political and economic environments within and between these countries.</p> <p>There is a growing trend in protectionist trade policies around the world, with support being provided to local manufacturing industries. This has been further exacerbated by Covid-19.</p>	<p>In April 2021, an anti-dumping rate of 8.85% on common alloy aluminium sheet from South Africa was announced in the US. In 2022, Hulamín anticipates having to participate in the first administrative review of this rate, where the process of the investigation is followed again.</p> <p>An increase or decrease in the rate would lead to Hulamín being liable for backpay of duties or a refund of the difference for material that entered the country between April 2021 and April 2022.</p> <p>The review will continue throughout 2022 and will be concluded in 2023.</p>	<p>Hulamín has embarked on a price monitoring exercise with the same council used in the trade case, in order to assess the potential rate on a monthly basis, based off of sales to that point. Mitigating sales actions and process improvement areas have been identified to assist with a lower rate.</p>
			Domestic market demand	<p><b>Domestic market demand</b></p> <p>Constrained domestic economic activity and market demand arising from low economic growth.</p> <p>Drivers include the pace and extent of implementation of structural reforms (particularly the reconfiguration of Eskom), investor confidence, global growth, and trade frictions affecting the price and demand for South Africa's exports.</p> <p>On the back of Covid-19 impacting port congestion, which caused significant import delays, vessels bypassing ports, increases in logistics costs from China into South Africa, and a weak Rand, we have experienced an uptick in local demand.</p> <p><b>Competition in domestic market from imports</b></p> <p>Import volumes of aluminium sheet, plate, foil and extruded products into the local South African market – particularly from low-cost countries – have increased over the past few years and have resulted in a decline in Hulamín's domestic market share. In Q1 2021, South Africa implemented a 15% base duty on all flat-rolled aluminium imports</p>	<p>The introduction of the base duty has led to increased demand for Hulamín's products. In particular, there was a significant uptick in demand for canbody stock, followed by some increase for local standards and foil.</p>	<ul style="list-style-type: none"> <li>• Focus on supporting and developing OEM market sectors in South Africa.</li> <li>• Focus on improved customer service, on-time delivery, reliability and quality.</li> <li>• The outcome of Hulamín's duty application was published on 31 December 2020, when the government implemented a 15% import duty on rolled products.</li> <li>• Implementation of can stock resale programme.</li> <li>• Shift mix as appropriate to export opportunities, primarily in can stock.</li> </ul>

# Performance outcomes

- 55 Manufactured capital
- 58 Capital outcomes scorecard

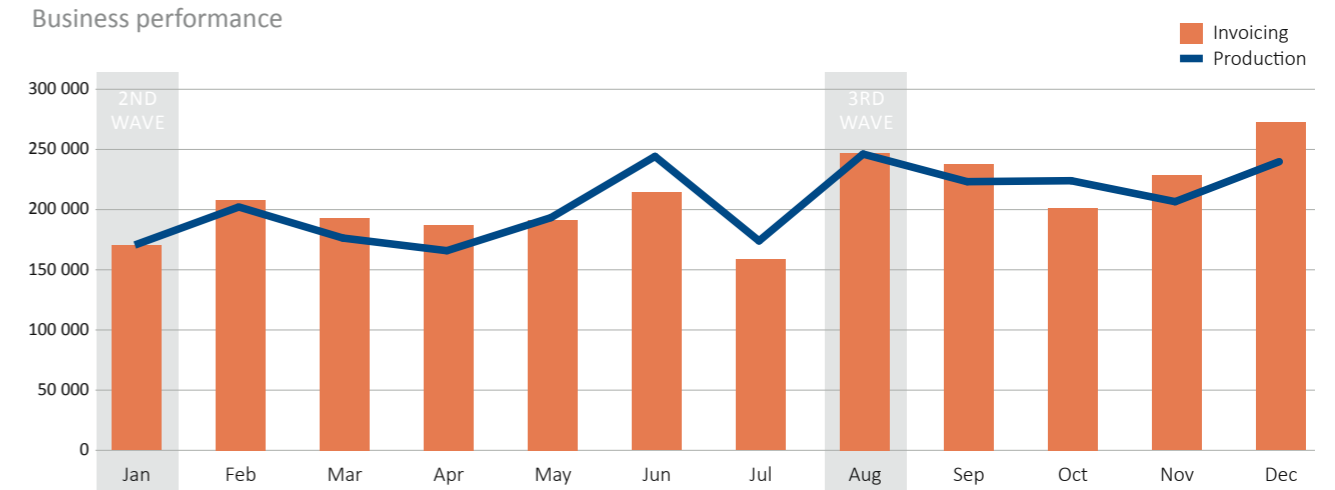
Our 2021 annual throughput reached **222 000 tons** an improvement from **166 000 tons** in 2020

# 04

## Manufactured capital

### Integrated Business Approach (IBP)

Covid-19 remains a major challenge for Hualamin's operations. There were two Covid-19 infection waves in 2021, which negatively affected the performance of the organisation. Below is 2021's business performance for both Production and Invoicing:



### 2021 in review

A combination of planned disruptions and unplanned events affected our operations in 2021. The April integrated shutdown was completed as per the plan, with a slight extension on the Camps Drift Hotline but was followed by a fire on S6 in May and serious social unrest in July, as well as the two Covid-19 waves.

Even with such major disruptions in a single year, Hualamin's resilient people rose to the occasion and delivered some good numbers for the business. For instance, even in the midst of the longest Covid-19 wave we have encountered to date (±8 weeks), the August overall performance saw the highest numbers for both production and invoicing.

As stated in the 2020 annual report, the IBP plan was split into three phases:

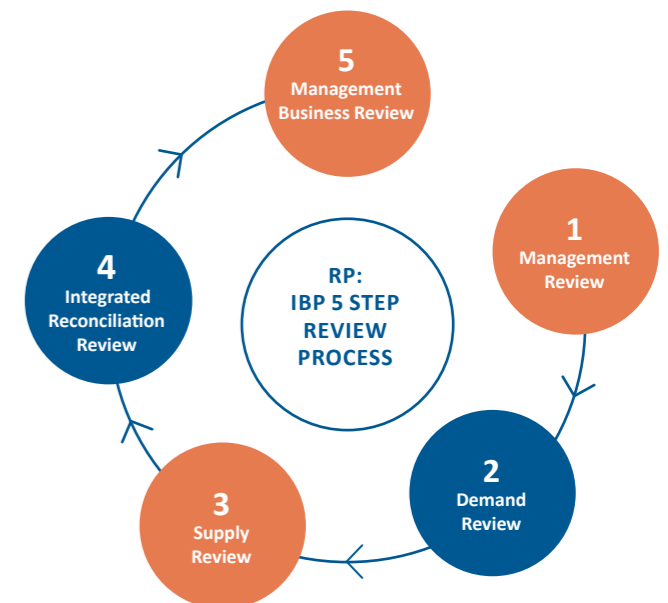
1. Change management;
2. Establishing IBP as a way of working; and
3. Optimisation of the IBP process.

The focus in 2021 was on the third phase, which is to optimise the IBP process and the update is as follows:

- **Product management review (PMR):** Work has become stable; the cans and cars strategy has begun to be implemented.
- **Autobody sheet:** New developments have been conducted and we are currently getting a handle on the workings of the autobody products.
- The formal new product development forum is now in place which is part of the PMR overall structure.
- We have clarified the PMR KPIs, with the main KPI being our measure on revenue from innovation.
- The demand planning is going according to plan, with a heavy focus on ensuring that the forecasting process is stable and predictable.
  - » Forecast accuracy is at >90% and bias between 90% to 110%.

- Supply reviews are well entrenched as a key input to the management business review (production to plan is at 94%).
  - » The business has a good handle on the predictability of the plant through the production to plan measure.
- We are starting to understand the requirements of integrating the planning systems by appointing an implementation partner to assist with the overall implementation and integration of the planning tools.

### The IBP 5 step process review



# Manufactured capital continued

## Looking ahead to 2022

- Financial integration to the IBP<sup>1</sup> process still remains a key input to the IBP process, need to conclude the financial piece of this integration.
- Margin forecasting in the demand planning process to get a financial view of the demand plan.
- Driving the autobody products introduction through the PMR process to align with the project key vision.
- Formalised, implemented and integrated sales and operations planning tools fully accepted and used by the different areas in the business.

## Production

Our 2021 annual throughput reached 219 698 tons, an improvement from 166 428 tons in 2020.

## 2021 key achievements

- IBP**
  - All the IBP reviews are fully entrenched as a way of running the business
  - Overall forecast accuracy is >90%, and forecast bias is ranging between 90% to 110%
  - Overall production to plan is at 94%
- Successful execution of our integrated shut in April 2021, with substantial plant equipment risks mitigated during this shut.
- A 3.2% overall plant recovery yield improvement when compared to 2020.
- Introduction of a cost optimisation program at all levels of the organisation to drive conversion cost reduction, with millions of Rands saved by end of 2021.
- Continuation with our digital capability build programme which came with the introduction of a plant-wide multivariate process control system that employs machine learning techniques.
- Introduction of the HulamIn core competence model that is supported by our continuous improvement model to deliver on business objectives.

## Key initiatives for 2022

- Conclude phase 1 of the multivariate process control deployment across key Cans and Cars' streams to reduce variation and improve overall recovery yield.
- Successfully execute upgrades of our gauging systems to ensure process stability.
- Successfully execute headroom projects in the metals division to drive increased overall plant throughput.
- Execute core competence model gap actions in line with our business aspirations.
- Entrench cost optimisation programme at all levels of the organisation to realise R70 million in cost savings.
- Focus on exploiting benefits associated with recycled metal units in our metals division continue in line with our targets.

<sup>1</sup> Refer to 2020 IAR for more details on the IBP

## Multivariate process control at HulamIn

As part of our ongoing efforts to improve operational efficiencies, we initiated a multivariate process control project in May 2021 as a follow-up to our machine learning pilot at the hotline plant. The multivariate process control project spans the entire plant and will be executed in three phases between 2021 and 2023. This project's goal is to reduce process variation and improve quality performance across all processes.

## What is multivariate process control?

Multivariate analysis is a statistical procedure for analysing data that involves multiple dependent variables in a singular outcome as shown in Figure 1. It is predicated on the assumption that the vast majority of real-world problems are multivariate. There are two broad categories of multivariate analysis:

- Dependence techniques** – these are techniques that are used when one or more variables can be identified as dependent variables and the remaining variables can be identified as independent. Examples of techniques applied in this category include conjoint analysis, multivariate analysis of variance (MANOVA) and Covariance, multiple regression analysis and linear probability model.
- Interdependence techniques** – these are techniques that are used when the type of relationship that variables have cannot be classified as either dependent or independent. Its aim is to describe patterns in the data without making strong assumptions about the variables. Examples of techniques applied in this category include principle component analysis (PCA), cluster analysis and multi-dimensional scaling.

## Why multivariate process control?

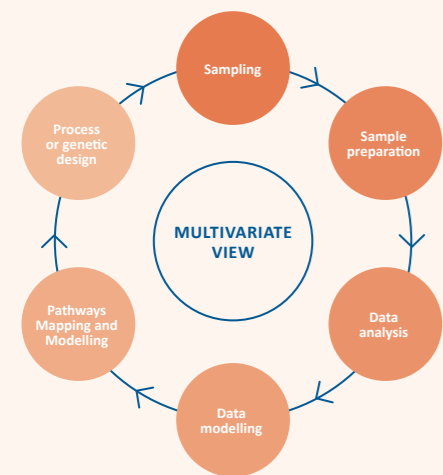
As part of our continuous improvement model, we apply statistical process control (SPC) techniques as a key enabler to effecting process stability. Traditional univariate SPC techniques often assumes process variables work independently of each other and because of this:

- Makes the analysis simpler for the process engineer; and
- Makes the analysis practical for the operator.

However, the univariate SPC approach can overlook how variables often interact. Despite individual parameters being within accepted tolerances, the complex interconnectivity of a large number of process parameters may still result in low quality products. Multivariate process control techniques allow for data analysis so as to learn the complex relationships that exist between parameters.

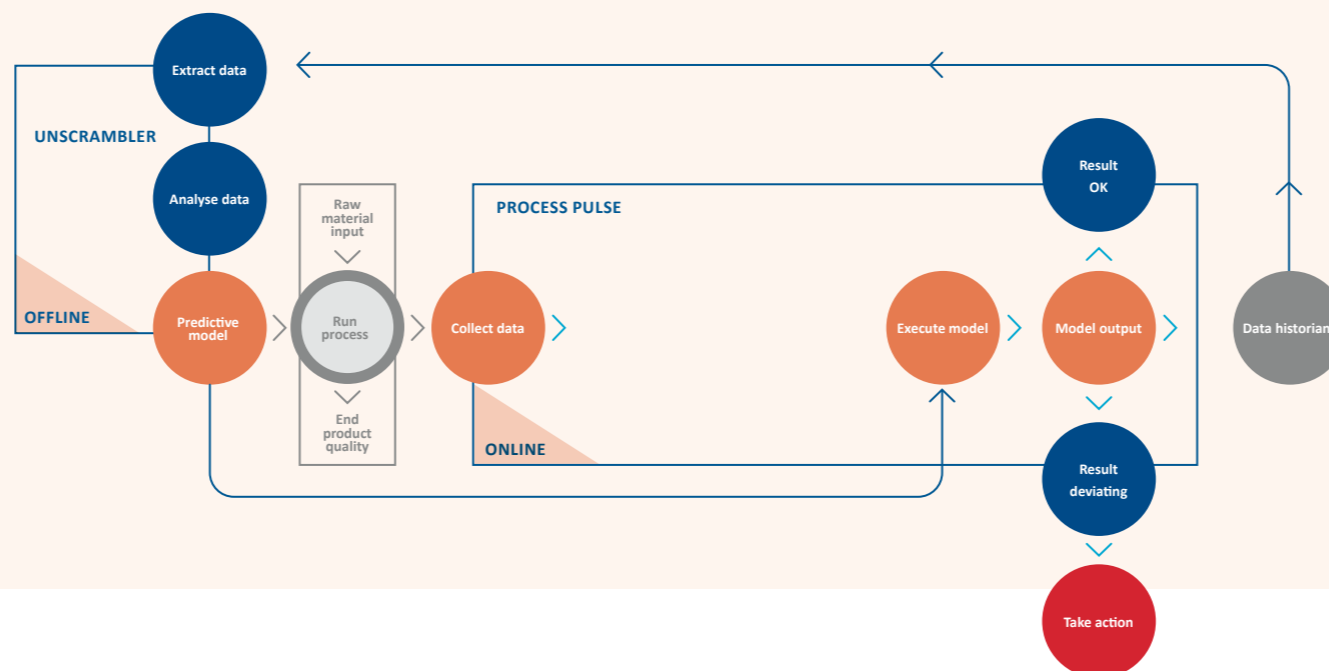
### 1

#### Multivariate view



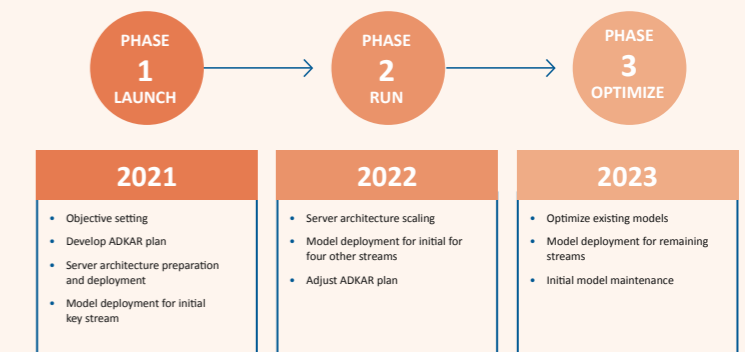
### 2

#### Solution overview



### 3

#### Multivariate process control high level deployment plan



# Capital outcomes scorecard summary

Refer to the Sustainability report for a full report on Social and Relationships, Human and Natural Capitals. 



## Social and Relationship

	2020	2021	TARGET 2022
Taxation (paid)/refund	(28 231)	15 232	Pay as required
Spending on corporate social responsibility	(R'000) 2 840	2 923 293	% of PAT
B-BBEE expenditure	(R million) 5,631	8,904	Pay as required
B-BBEE status	(Level) 6	7	5

### 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

	2020	2021	TARGET 2022
Employee costs	(R'000) 1 099 183	1 212 855	Pay as required
Number of employees	1 722	1 806	As required
Lost time injury frequency rate	0.22	0.25	
Total recordable case frequency rate	0.31	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

	2020	2021	TARGET 2022
Capital expenditure	(R'000) 140 280	154 443	
Repairs and maintenance	(R'000) 274 099	377 781	Sufficient to maintain
Depreciation and amortisation	(R'000) 64 235	86 600	Appropriate per capital spend
Rolled Products production volumes	(tons) 155 000	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

	2020	2021	TARGET 2022
Total CO <sub>2</sub> emissions	(CO <sub>2</sub> /MT produced) 1,99	1,69	1,66
Water consumption	(kℓ/MT produced) 2,86	2,86	2,05
Electricity consumption	(KWh/MT produced) 1,401	1,192	1,042
Fuel gases intensity	(GJ/MT) 9,66	9,66	7,31

### 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

	2020	2021	TARGET 2022
Operating (loss)/profit	(R'000) (81 560)	538 002	>560 000
Free cash flows	(R'000) (484 675)	141 221	>100 000
Net debt to equity	(%) 35.2	24.1	8
Headline earnings per share	(cents) (71)	182	>119

### Moving forward

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

### Capital trade-off

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

### Actions to enhance outcomes

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

# Corporate governance

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**How Hulamini approaches Governance**

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



## Remuneration report

### Part A: The chairperson's statement

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2021 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 Hulamini. In accordance with Hulamini'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 Johannesburg Stock Exchange (JSE) Listings Requirements.

2021 was a challenging year for Hulamini in a number of areas of the business. In addition to ongoing struggles with a business and economy working through the Covid-19 pandemic, which resulted in large numbers of employees being deployed off-site, the national unrest in July forced the business to close for several days resulting in lost production.

2021 also saw protracted wage negotiations with the bargaining unit, which were successfully settled in November averting the threat of industrial action.

#### REMCO focus areas during 2021

In addition to its normal responsibilities, the Remco paid attention to reviewing manpower costs and employee benefit liabilities.

To more appropriately align with best practice, the Remco discontinued the staff retirement gratuity for employees employed after May 2021 and changed the leave policy to limit the quantity of annual leave employees are permitted to accrue (and hence be paid out on termination of employment). Both changes will result in a reduction in employee benefit liabilities. This benefit being recognised over several years.

Following the successful transition to a quarterly short-term incentive bonus (STI) in the fourth quarter of 2020, the Remco approved the change from an annual STI to a simplified quarterly STI for all staff. This change included a revision whereby the STI for the Executive team was weighted 2/3 on financial performance of the company and 1/3 on operational performance. Furthermore, approximately 400 employees who had not previously participated in the STI scheme were added at no additional cost to the company (the total STI remained capped at 10% of EBIT).

The attention to manpower costs was largely focused on the cost of overtime and variable allowances, and the need to restructure pay in a way to incentivise employees to improve the quality and increase the quantity of output without reducing their net pay. This process is ongoing.

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 responsible 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 FY2021.

At the AGM held on 27 May 2021, Hulamini received a 58.40% non-binding advisory vote in favour of its remuneration policy (41.60% against) and 54.94% in favour of implementation report (45.06% against). After the AGM in May 2021, the Company published a SENS on 28 May 2021 requesting the dissenting shareholders to email the Company Secretary their concerns and any possible meeting dates to discuss their rationale for voting against the implementation of the remuneration policy. No correspondence was received by the company in this regard. We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamini and, particularly, the Remco, are continuing the journey of implementing best practice standards in our remuneration reporting and disclosure.

A meeting was held with the IDC wherein they were informed of, amongst others, the mechanisms undertaken by management to address the concerns raised. The remuneration policy was revised to exclude the post retirement gratuity for all new employees.



**CA Boles**  
Chairman of the Remuneration and Nomination Committee

25 February 2022

- |                               |  |
|-------------------------------|--|
| <b>Routine activities</b>     | <ul style="list-style-type: none"> <li>Limited long-term incentive scheme awards were approved for senior management</li> <li>Remco terms of reference were reviewed and recommended to the Board</li> <li>The Remuneration Policy and Remuneration Report were reviewed and recommended to the Board</li> <li>Review of Remuneration Risk and reporting back to the Risk Committee on matters identified</li> </ul> |
| <b>Non-routine activities</b> | <ul style="list-style-type: none"> <li>Continued focus on containing and reducing manpower costs as a key component of the 2020 turnaround plan</li> <li>Revision of the Leave Policy and Retirement Gratuity Policy to reduce employee benefit liabilities</li> <li>Simplification of the STI to a quarterly operational bonus for all staff and an annual financial bonus to the Executive</li> </ul>              |



## Remuneration report continued

### Part B: The forward-looking remuneration policy

The Remco is a sub-committee of the board of the Company (the "Board") with delegated authority. Hulamín'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 Hulamín'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 FY21 is detailed below:

Member	11 February Special	2 March Scheduled	4 May Scheduled	24 June Special	4 November Special	18 November Scheduled
CA Boles	✓	✓	✓	✓	✓	✓
TP Leeuw	✓	✓	✓	✓	✓	✓
GH Watson	✓	✓	✓	✓	x	✓

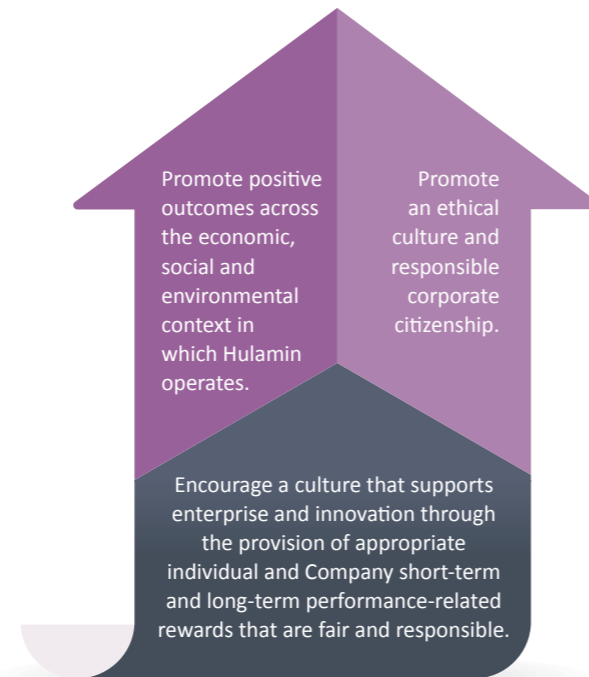
In 2021, scheduled Remco meetings were held on 2 March, 4 May, and 16 November with four additional special meetings on 11 February, 24 June, 25 August and 4 November. The special meetings were all called for the approval of the quarterly STI bonus. The 4 November meeting was called to revise the wage negotiation mandate given to management.

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

### Remuneration philosophy

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

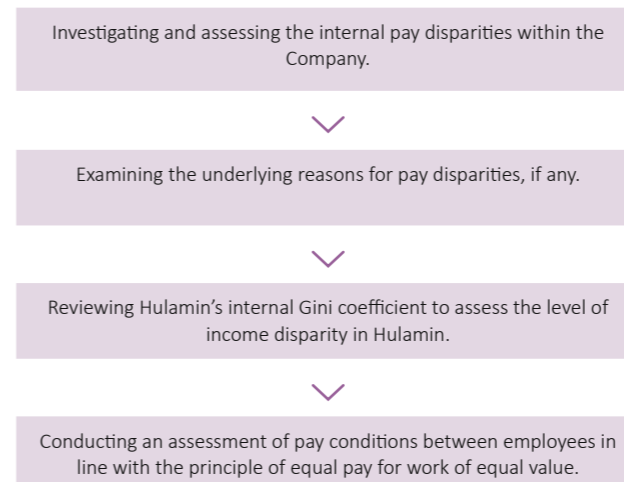
Hulamín's remuneration philosophy is geared towards pay for performance (alignment with shareholders) within the boundaries of the Company's risk appetite. It is also cognisant of the need to avoid misalignment due to external factors outside of employees' control (e.g. currency and commodity price volatility).



### 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, 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 to and assist the Board in taking the following actions:



### Measuring performance

The Remco monitors both 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 and compares favourably to the South African coefficient which ranges from 0.660 to 0.696:

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

### Forward-looking initiatives

In 2020, a management-led Manpower Cost Committee (MCC) was introduced to govern employment costs through monitoring and controlling headcount through any and all changes to the organogram. In 2022, it is proposed that this committee will become more strategic in addressing fair and reasonable pay matters at lower levels.

### Remuneration mix Structure of packages

The quantum, structure, composition and mix of remuneration supports the Company's strategic objectives, is market related and 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 avoiding any possible over-dependence on its variable 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:

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

#### Factors affecting TGP:

<b>Premiums</b>	Market premiums are necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's cash salary.
<b>Other benefits</b>	Hulamín offers good-leaving, retiring staff employed prior to June 2021 with a minimum of 10 years' service, a gratuity based on the length of their service and their final salary, as well as general accident insurance for middle and senior management.
<b>Positioning</b>	Hulamín 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.

<b>Salary reviews and increases</b>	Annual salary increases for individuals are determined primarily by inflation, but also refer to an individual's pay relative to the market, their performance, and their anticipated future value to the business. Performance and merit-based increases at levels below senior management, are addressed through the MCC and with Executive Committee approval.  The aggregate of all annual increases is limited to the overall increase approved by the Board. Salary adjustments for executives are considered on a stand-alone basis by the Board.
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<b>Under-performance</b>	Below expectation performance is primarily managed through performance counselling and/or disciplinary action.
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# Remuneration report continued

## 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 two elements to the STI. A financial component is assessed annually and is available only to executives. The operational component applies to all non-bargaining unit employees and is assessed quarterly and authorised by the Board (once management accounts are approved).

STI awards are subject to the following multiples:

	% of performance target achieved	Multiple of on-target STI paid
No award payable	<80%	0.00
Minimum performance for award to be paid	80%	0.20
On-target performance	100%	1.00
Out-performance for maximum award	140%	2.50

The total of all STI payments (quarterly operational and annual financial) for the year are limited to 10% of Company EBIT. This provides a direct link between shareholder value created and employee remuneration.

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

- Earnings before interest and taxes (EBIT); and
- Cash flow from Operations.

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

- Sales volumes measured in tons with the intention to increase total sales
- Safety performance is used as a disqualifier in the event of a fatality on site.

### Financial capital

Aligns employee outcomes with increasing shareholder value through the company's profitability and liquidity profile.

### Manufacturing capital

Encourages employees to meet Hulamín's operational objectives, aligning employees' discretionary efforts with company goals, ultimately increasing shareholder value.

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:

Position	Grade	Financial	operational	Total
		STI as % of TGP (paid annually)	STI as % of TGP (paid quarterly)	on-target STI as % of TGP
CEO	FU	40%	20%	60%
CFO and MD Rolled Products	FL	33%	17%	50%
Other executives	FL	27%	13%	40%
Senior management	EU	–	33%	33%
Senior management	EL	–	25%	25%
Middle management	DU – DL2	–	15%	15%
Junior management and staff	DL1 – CL	–	10%	10%

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

### Long-Term Incentives (LTIs)

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

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 increases in the value and return on the investments made by Hulamín's shareholders.

## ECSP – Equity-settled Conditional Share Plan

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

### Retention Shares (RS)

Awarded selectively by the Remco to attract and retain executive and senior management, the vesting of which is subject to the satisfaction of the conditions of employment. The value of these shares is limited to 25% of any employee's TGP.

### Performance Shares (PS)

Awarded only to executives and senior management, the vesting of which is subject to satisfying performance conditions and conditions of employment in line with the group's approach to performance-related incentives.

### Bonus Shares (BS)

Awarded to executives, senior and middle management, the value of which is determined as a percentage of the STI based on performance in the previous financial year, and the vesting of which is subject only to meeting the conditions of employment.

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. These Retention awards were last issued in 2018.

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. As no STI was paid in 2020, no Bonus Shares were awarded in 2021.

Performance Shares are subject to strategic performance conditions approved by the Remco annually. These awards are subject to the following performance conditions, measured over a three-year performance period:

### Total Shareholder Return (TSR)

- Weighted 1/3.
- Measured against the JSE Small Cap Index over the three-year vesting period, including dividends declared over the vesting period.
- Market condition – measures performance relative to a peer group

### Return on Capital Employed (ROCE)

- Weighted 2/3.
- Measured against the accumulated ROCE, based on the prior year's Board-approved business plan.
- The Board has discretion to adjust the base ROCE for major changes in capital employed during the vesting period.
- Measure of the Company's overall performance against targets set

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

Position	Grade	ECSP Award face value as % of TGP		Total ECSP Award face value as % of TGP
		BS as % of TGP	PS 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 limit 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
- The information used to determine the number of awards was 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.

# Remuneration report continued

## 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

(employees who terminate employment due to death, retrenchment or retirement (including ill-health), as well as the sale of a subsidiary company)

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

### Fault leavers

(Termination due to resignation or dismissal)

Fault leavers forfeit all unvested awards.

At special general meetings of shareholders of the company in December 2020, the terms of the ESOP were changed along with the terms of the broader BEE transaction. In summary, the changes approved at this meeting were as follows:

1. The vesting period of the A2 ordinary shares was extended another 5 years to vest in February 2026; and
2. A new class of A3 ordinary shares were approved for distribution to qualifying employees. These A3 shares are scheduled to vest in 5 years, in February 2026 and are otherwise identical to the A1 ordinary shares.

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 notice periods which are longer. 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 five Board meetings per year and there are typically three meetings for each of the sub-committees of the Board throughout a financial year.

Attendance at additional sub-committee meetings is remunerated at the standard remuneration rate for attendance at scheduled meetings of such committees. Attendance fees for ad-hoc Board committee 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 2022 AGM:

Role	Present fees to 31 July 2022		Proposed fees from 1 August 2022		% change
	Annual retainer Rands	Attendance per meeting Rands	Annual retainer Rands	Attendance per meeting Rands	
Chairman of the Board	491 730	42 150	<b>516 320</b>	<b>44 260</b>	5%
Member of the Board	179 680	15 400	<b>188 660</b>	<b>16 170</b>	5%
Chairman of the Audit Committee	129 320	18 470	<b>135 790</b>	<b>19 390</b>	5%
Member of the Audit Committee	75 140	10 740	<b>78 900</b>	<b>11 280</b>	5%
Invitee of the Audit Committee		10 740		<b>11 280</b>	5%
Chairman of the Risk Committee	89 290	12 750	<b>93 750</b>	<b>13 390</b>	5%
Member of the Risk Committee	49 010	7 000	<b>51 460</b>	<b>7 350</b>	5%
Invitee of the Risk Committee		7 000		<b>7 350</b>	5%
Chairman of the Remco	89 290	12 750	<b>93 750</b>	<b>13 390</b>	5%
Member of the Remco	49 010	7 000	<b>51 460</b>	<b>7 350</b>	5%
Invitee of the Remco		7 000		<b>7 350</b>	5%
Chairman of the Transformation, Social and Ethics Committee	89 290	12 750	<b>93 750</b>	<b>13 390</b>	5%
Member of the Transformation, Social and Ethics Committee	49 010	7 000	<b>51 460</b>	<b>7 350</b>	5%
Invitee of the Transformation, Social and Ethics Committee		7 000		<b>13 390</b>	5%
Chairman of an <i>ad hoc</i> Board Committee		12 750		<b>7 350</b>	5%
Member of an <i>ad hoc</i> Board Committee		7 000		<b>7 350</b>	5%
Invitee of an <i>ad hoc</i> Board Committee		7 000		<b>7 350</b>	5%
Fees for international NEDs	(€)	31 570		<b>2 700</b>	0%
Fees for international NEDs	(\$)	31 950		<b>2 740</b>	5%

## 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 to market norms.

## 2015 Employee Share Ownership Plan (2015 ESOP)

The objectives of the 2015 ESOP are primarily:

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

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

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

As Hulamin values its employees as key contributors to the ongoing performance and success of the business, all permanent 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 was originally through two classes of "A" ordinary shares, 15% of which were issued with no strike price ("A1") and 85% are appreciation rights ("A2"). During the vesting period both classes of shares participated in dividends declared by the company. The A1 ordinary shares were entitled to a cash dividend, but for the A2 ordinary shares, the dividend is to be utilised to reduce the strike price of the right at the time of vesting.

Both classes of shares were scheduled to vest after five years (December 2020). The A1 ordinary shares did vest and were converted to Hulamin ordinary shares on a one-for-one basis.

## Remuneration report continued

### Part C: The implementation of the remuneration policy

This implementation report is subject to an advisory vote by shareholders at the AGM, 26 May 2022.

#### Total guaranteed pay

The Remco approved a 5% annual salary increase for both the executive and non-bargaining unit employees in 2021 (effective January 2022). 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 6% increase in 2021.

#### Short-term incentive outcomes

Following the successful implementation of a quarterly STI in 2020, the Remco took the decision to restructure the annual short-term incentive (STI) bonus, creating a quarterly operational incentive for all non-bargaining unit employees and an annual financial STI for executives. The executive STI was within the same limits as the previous STI, but split 1/3 operational and 2/3 financial, therefore given a heavier weighting to the financial component.

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

	Performance measure	Threshold target Rands	Stretch target Rands	Actual performance Rands	Actual % achievement	Total STI paid Rands
<b>Financial</b>	EBIT	211 952 000	264 940 000	538 003 000	140 <sup>1</sup>	N/A
	Operating cash flow	222 097 000	277 621 000	238 771 000	86.0	N/A
	Total	N/A	N/A	N/A	113.0	12 736 160
<b>Operational</b>	Quarter 1	40 430 000	50 537 000	50 273 000	99.5	3 093 618
	Quarter 2	41 524 000	51 905 000	52 487 000	101.1	1 837 044
	Quarter 3	45 667 000	57 084 000	57 542 000	100.8	15 746 213
	Quarter 4	48 138 000	60 172 000	60 463 000	100.5	15 944 685
	Total	175 758 000	219 698 000	220 765 000	100.5	36 621 560
Total STI paid for the year						49 357 721

Note 1: The STI rules limit maximum performance to 140% of the stretch target.

#### Total STI paid for the year

The table below sets out the performance bonuses the executive directors were paid in 2021, based on the achievement of company operational and financial performance:

Participant	TGP (note 1) Rands	STI % of TGP	On-target STI Rands	Annual Financial STI Rands	Quarterly Operational STI Rands	Total STI included in single figure remuneration Rands
RG Jacob (CEO)	6 077 145	60%	3 646 287	3 213 594	691 342	3 904 936
M Gounder (CFO from 1 April 2021)	2 545 691	50%	1 272 845	1 121 801	298 333	1 420 134

#### Long-term incentive (LTI) outcomes

The 2018 ECSP awards were due to vest in 2021, and consequently the performance conditions for the Performance Shares (PSP) were measured over the three-year performance period that ended 31 December 2020. The target performance was not met and the 2018 PSP award lapsed.

As both the Bonus Shares (BS) and Retention Shares (RS) vested through service (no additional performance conditions), these shares were delivered to participants.

No STI bonus was paid in 2020, and consequently no BSP award was made in 2021.

A routine annual PSP award was made to 26 members of qualifying senior management on 26 May 2021, with a 3 year vesting period (to vest on 26 May 2024). The return on capital employed (ROCE) and total shareholder return (TSR) performance conditions are as outlined in the Remuneration Policy.

The following table summarises the 2021 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 number of awards (Note 3) Rands	Final IFRS2 value of awards (Note 4) Rands
CEO	1	36%	2 170 728	1 373 878	1 116 224	2 042 690
CFO/VP-MD	2	30%	1 995 377	1 262 896	1 026 055	1 877 681
F band	4	24%	2 949 004	1 866 456	1 516 425	2 775 060
Upper E band	19	20%	8 422 955	5 330 975	4 331 216	7 926 125
Total	26		15 538 064	9 834 205	7 989 921	14 621 555

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 2020 (R1.58)

Note 3: As the total calculated number of awards exceeded 2.5% of issued share capital, in terms of the rules of the scheme, the total award was reduced within the limit.

Note 4: Final value based on IFRS2 valuation (R1.83) x Final number of awards, as disclosed in the AFS.

The table below sets out the PSP award to the executive directors in 2021:

Employee category	Market median (% of TGP)	Annual TGP (Note 1) Rands	Calculated value of award (Note 2) Rands	Calculated number of awards (Note 2) Rands	Final number of awards (Note 2) Rands	Final IFRS2 value of awards (Note 3) Rands
RG Jacob (CEO)	36	6 029 800	2 170 728	1 373 878	1 116 224	2 042 690
M Gounder (CFO from 1 April)	30	3 394 200	1 018 260	644 468	523 606	958 199

Note 1: Annualised TGP is based on salary and fringe benefits at time of award.

Note 2: Notes as per table above.

Note 3: Value used in single figure remuneration table.

#### Invested 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 (Note 1)	Date awarded	Vesting date	Grant price (Rand)	Opening number Rands	Awarded during the year Rands	Delivered during the year Rands	Lapsed during the year Rands	Closing number Rands	Indicative value (Note 2) Rands
<b>RG Jacob (CEO)</b>	SARS	24 Apr 14	23 Apr 17	6.90	633 100		633 100	–	–
	ECSP – PS	26 Jul 18	25 Jul 21	6.22	321 279		321 279	–	–
	ECSP – BS	26 Jul 18	25 Jul 21	6.22	117 649		117 649	–	–
	ECSP – PS	20 Aug 20	19 Aug 23	0.99	932 150		–	932 150	4 287 890
	ECSP – PS	26 May 21	26 May 24	2.24	–	1 116 224		1 116 224	5 134 630
<b>M Gounder (CFO)</b>	ECSP – PS	26 May 21	26 May 24	2.24	–	523 606		523 606	2 408 588

Note 1: Directors as at 31 December 2021

Note 2: Indicative value of outstanding LTI reflects the number of outstanding instruments x vesting probability % x year end share price (R4.60).

## Remuneration report continued

### 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.

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 (CFO) (Note 1)	2 164 950	380 741	1 420 134	958 199	4 924 024
LM Farquharson (Acting CFO) (Note 2)	650 400	129 765	395 499	–	1 175 664
<b>Total</b>	<b>8 108 790</b>	<b>1 294 211</b>	<b>5 720 568</b>	<b>3 000 889</b>	<b>18 124 457</b>

Note 1: M Gounder was appointed from 1 April 2021. 9 months remuneration is reported.

Note 2: LM Farquharson was Acting CFO to 31 March 2021. 3 months remuneration is reported.

2020	Cash salary Rands	Company contributions Rands	STI Rands	LTI Rands	Total Rands
RG Jacob (CEO)	5 139 420	761 906	211 320	633 862	6 746 507
AP Krull (CFO) (Note 1)	3 159 820	522 619	–	–	3 682 439
MZ Mkhize (Executive) (Note 2)	589 518	7 935 984	–	–	8 525 503
LM Farquharson (Acting CFO) (Note 3)	421 000	83 683	59 727	177 712	742 122
<b>Total</b>	<b>9 309 758</b>	<b>9 304 192</b>	<b>271 047</b>	<b>811 574</b>	<b>19 696 571</b>

Note 1: AP Krull resigned with effect from 31 October 2020. 10 months remuneration reported.

Note 2: MZ Mkhize was retrenched on 29 February 2020. 2 months remuneration (including severance of R7 838 779)

Note 3: LM Farquharson was appointed Acting CFO from 1 November 2020. 2 months remuneration reported.

### NED fees

The table below sets out the fees paid to NEDs in 2021:

Name	Retainer fees 2021 Rands	Attendance fees 2021 Rands	Total fees 2021 Rands
TP Leeuw	579 728	502 720	1 082 448
VN Khumalo	264 402	210 920	475 322
SP Ngwenya	224 805	163 250	388 055
GHM Watson	683 721	485 187	1 168 908
N Maharajh	351 926	265 870	617 796
CA Boles	338 265	298 750	637 015
B Mehlomakulu	346 844	264 561	611 405
RL Larson	516 559	397 413	913 972
<b>Total</b>	<b>3 306 250</b>	<b>2 588 671</b>	<b>5 894 921</b>

### Approval

This report was approved by the Remco on 25 February 2022 and the Board on 25 March 2022. The Remco as well as the Board are satisfied that there were no material deviations from the remuneration policy during the 2021 financial year.



# Annual Financial Statements

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## 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 2021 of Hulamini 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 Hulamini'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, Hulamini'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 ongoing impact of COVID-19 as well as 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. Their unqualified report appears on pages 80 to 82.

The annual financial statements of the Group and Company set out on pages 83 to 162, which have been prepared on the going-concern basis, under the supervision of our Group Chief Financial Officer, Mark Gounder, were approved by the Board on 25 March 2022 and were signed on its behalf by:

**Thabo Patrick Leeuw**  
Chairman

Pietermaritzburg, KwaZulu-Natal  
25 March 2022

**Richard Gordon Jacob**  
Chief Executive Officer

## Certificate by 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 2021, 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.

**Sharon Ramoetlo**  
Company Secretary

Pietermaritzburg, KwaZulu-Natal  
25 March 2022

# Directors' statutory report

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2021.

## 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. Although the South African market is an important and growing element of Hulamin's business, a significant portion of rolled products are exported to regions such as Europe, North America, Middle East and Asia.

## Financial results

The financial results of the Group are set out on pages 83 to 149 and of the Company on pages 150 to 162 of the Annual Financial Statements. The segmental analysis is included on pages 99 to 101. Pertinent extracts of these results are as follows:

- The net profit attributable to shareholders of the group for the year ended 31 December 2021 amounted to R591 million (2020: restated loss of R239 million).
- Profit per share amounted to 192 cents (2020: restated loss per share of 78 cents).
- Headline profit per share of 182 cents (2020: restated headline loss per share of 71 cents)
- Metal price lag ("MPL") gain of R426 million (refer note 2.1(b)) was recorded in 2021 (2020: gain of R112 million), as the Rand aluminium price increased during 2021.
- A R4.5 million gain (2020: loss R114 million) relating to aluminium futures and currency hedges not qualifying for hedge accounting in 2021.

## Solvency and liquidity

The group's net borrowings were R651 million (2020: R751 million) and net debt was R703.5 million (2020: R818.8 million) as at 31 December 2021. This represents a net debt to equity ratio of 24% (2020:35%).

The annual financial statements presented on pages 83 to 162 set out fully the financial position, results of operations and cash flows for the year.

## Impact of new accounting standards

The group adopted amendments to various accounting standards which were effective for the year ended 31 December 2021. These amendments did not have a material impact on the group results.

Full details of the impact of the adoption of these amendments have been disclosed in note 1.2 of the group financial statements.

## Dividends

No dividends were declared for the year ended 31 December 2021 (2020: No dividends declared).

## 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

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 2021, the present directors and prescribed officer of the company beneficially held a total of 928 432 ordinary no par value shares, equivalent to 0.30 percent, in the company (2020: 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 25 March 2022 and 31 December 2021.

## Holding company

Hulamin Limited is the ultimate holding company at 31 December 2021.

## Auditors

Ernst & Young Inc. continued as auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 26 May 2021, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2022 financial year and it will be noted that Mr S Sithebe will be the individual registered auditor that will undertake the audit.

## Secretary

Please refer to the governance report in respect of the company secretary's competence and qualifications. The Company Secretary of Hulamin Limited is Sharon Ramoetlo. Her business and postal address appears in the corporate information section.

## 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:

On 23 February 2022, the South African Minister of Finance, Enoch Godongwana, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamin Group, the applicable tax rate will change from 28% to 27% with effect from 1 January 2023. On the basis that deferred tax is forward looking, for the financial year ending 31 December 2022, the rate applicable for deferred tax will be the reduced rate of 27%. In respect of the financial year ending 31 December 2022, the rate applicable for current tax will differ from the rate applicable for deferred tax.

## 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 2021 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 2021, 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 83 to 162 have been approved by the board. Signed on behalf of the board of directors by:

**Thabo Patrick Leeuw**  
Chairman

Pietermaritzburg, KwaZulu-Natal  
25 March 2022

**Richard Gordon Jacob**  
Chief Executive Officer

# 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 83 to 162, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS.
- 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; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code.

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 any fraud that involves directors and have tabled the planned remedial action.

**Richard Gordon Jacob**  
Chief Executive Officer  
Pietermaritzburg, KwaZulu-Natal  
25 March 2022

**Meganathan Gounder**  
Chief Financial Officer

# Report of the audit committee

The Hulamín 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 2021.

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
<b>Engagement with the Group's external auditor</b>	<ul style="list-style-type: none"> <li>• Ernst &amp; Young Inc. ("EY") recommended for reappointment as auditor, and Sifiso Sithabe as the designated auditor, having satisfied itself of the capacity and independence of this firm and the designated auditor;</li> <li>• 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;</li> <li>• Determined the fees (note 2.4.5 of the financial statements) to be paid to the auditor and the auditor's terms of engagement;</li> <li>• 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;</li> <li>• 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;</li> <li>• 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 (no fees were paid to EY in respect of the provision of non-audit services for the year ended 31 December 2021);</li> <li>• Met separately with EY (without presence of management) three times this year;</li> <li>• 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 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</li> <li>• Noted that the external auditor had expressed an unqualified opinion on the Annual Financial Statements for the year ended 31 December 2021.</li> </ul>
<b>Compliance with Companies Act requirements</b>	<ul style="list-style-type: none"> <li>• 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: <a href="#">Corporate Governance   About   Hulamín</a></li> <li>• 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</li> <li>• Made submissions to the Board on matters concerning the Company and the Group's accounting policies, financial controls, records and reporting.</li> </ul>
<b>Internal financial controls, internal audit and combined assurance</b>	<ul style="list-style-type: none"> <li>• 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 2021 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;</li> <li>• 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;</li> <li>• Considered and confirmed its satisfaction with the effectiveness, competency, capacity and independence of the outsourced internal audit function; and</li> <li>• 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.</li> </ul>



## Report of the audit committee continued

Activities	Outcome
<b>Oversight of risk governance and risk management</b>	<ul style="list-style-type: none"> <li>Monitored the implementation of the Group Risk Policy and Group Risk Plan as approved by the Board;</li> <li>Reviewed and considered the activities and reports of the Group Executive Risk Forum and Tax Committee;</li> <li>Reviewed and considered business unit risk reports presented to the Committee;</li> <li>Reviewed and considered the report by internal audit on the integrity and robustness of the Group's risk management processes;</li> <li>Reviewed and recommended for approval the Group's risk appetite framework;</li> <li>Reviewed and considered the status of financial, information technology and cybersecurity measures and internal controls for the year under review, as reported on by the Group's internal and external auditors;</li> <li>Reviewed and approved the adequacy of the Group's insurance cover; and</li> <li>Confirmed its satisfaction with the status and effectiveness of risk governance in the Group and the adequacy of mitigation plans for material risks, recommending this as such to the Board.</li> </ul>
<b>Integrated reporting</b>	<ul style="list-style-type: none"> <li>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</li> <li>Considered financial-related tip-off reports and management actions to address these.</li> </ul>
<b>Assurance in respect of financial expertise of the Financial Director and finance function</b>	<ul style="list-style-type: none"> <li>Confirmed the expertise and experience of the: <ul style="list-style-type: none"> <li>Chief Financial Officer, who performs the duties of the Company's Financial Director; and</li> <li>Group's finance function and the senior members of management responsible for the Group's finance function.</li> </ul> </li> </ul>
<b>Information &amp; Technology ("I&amp;T") Governance</b>	<ul style="list-style-type: none"> <li>The committee oversees the governance of technology and information by setting the direction on how technology and information should be approached and addressed;</li> <li>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 Hulamín's application environment and a digitalisation programme</li> <li>Performed a critical evaluation of the Group's I&amp;T governance framework to better evaluate, direct and monitor Hulamín's I&amp;T assets, as well as to align IT services with the Group's current and future business needs; and</li> <li>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.</li> </ul>

### 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 2021 annual general meeting of the company in terms of section 94(2) of the Companies Act. The following table of attendance at Audit & Risk 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	13 April 2021	23 August 2021	27 October 2021
N Maharajh (Chairman)	X	X	X
CA Boles	X	X	X
Dr B Mehlomakulu	X	X	X

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

### Annual financial statements for the 2021 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 "Reporting back on the proactive monitoring of financial statements in 2021", dated 9 November 2021, 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 Hulamín management and internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This process enabled the committee to ensure that Hulamín's internal assurance services and functions enable an effective control environment, and that these services and functions support the integrity of information for both Hulamín's internal decision-making and for Hulamín's external reports.

The CEO, CFO and the internal auditor, 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 463 controls tested throughout the year.

These significant deficiencies relate to certain controls with respect to the group's CWIP processes and the capitalisation of costs to inventory. Hulamín embarked upon a remediation project in 2021 arising from the ongoing internal controls assessment performed as reported on in the prior year 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 and a revision of the nature of costs capitalised to inventory at year-end, which resulted in a restatement of previously reported results as detailed in note 10 of the financial statements.

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 2022.

The Committee satisfied itself that apart from the deficiency relating to inventory 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 Hulamín'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 Group internal audit 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 Group internal audit, 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
<b>Inventory valuation</b>	The Audit Committee reviewed the assessment performed by management arising from managements ongoing internal controls enhancement on the nature of costs capitalised to inventory. This assessment was compared to the requirements of IAS2 Inventory, IAS8 Accounting policies, changes in accounting estimates and errors and IAS1 Presentation of financial statements. The conclusions reached by management were interrogated and corroborated.

### 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 Hulamín operates. The assessment included consideration of financially significant components, based on indicators such as their contribution to Group assets, revenue and profit before tax.

Based on this assessment, three financially significant Hulamín's businesses were identified. These businesses were subjected to full scope audits of their financial reporting information, which in aggregate account for a significant or material portion of the Group's revenue, profit before tax and total assets. Two less financially significant businesses were identified and subjected to specific procedures on identified balances.

In aggregate, the financially significant businesses contribute 96% of Group's financial results (profit before tax revenue and total Group assets).

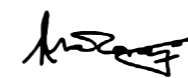
### Going concern

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 Hulamín'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 24 March 2022, 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  
24 March 2022

# Independent auditor's report

To the shareholders of Hulamín Limited

## Report on the audit of the consolidated and separate financial statements

### Opinion

We have audited the consolidated and separate financial statements of Hulamín Limited (the "Company") and its subsidiaries ("the Group") set out on pages 83 to 161, which comprise of the consolidated and separate statements of financial position as at 31 December 2021, 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 2021, 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 Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 equally to the audit of the consolidated and separate financial statements.

#### Inventory costing and related correction of error

The Group manufactures and sells fabricated and semi-fabricated aluminium products. As at 31 December 2021, the Group held inventories amounting to R3.033 million (2020: R2.291 million) of which work in progress and finished goods were stated at R536 million (2020: R632 million) and R1.082 million (2020: R956 million) respectively in Note 4.2.

As stated in Note 10, a material prior year error related to the inappropriate allocation of indirect manufacturing costs (labour and overheads) to the cost of inventory resulted in the restatement of the prior year corresponding figures.

The manufacturing cost allocation to inventory and the related correction of the prior period was considered a matter of most significance to our current year audit due to:

- The robust discussions we held with management;
- The extent of audit effort in relation to inventory costing over the 2019, 2020, and 2021 financial years across the different business units within the Group; and
- The extent of involvement of senior personnel on the audit engagement to address this matter.

Our audit procedures included, among others:

- We held discussions with management to understand the process they undertook in order to evaluate and quantify the impact on the prior year and current year financial statements
- We considered management's judgments and rationale for the allocation and non-allocation of indirect manufacturing costs to inventory.
- For each of the financial periods relevant to the current year financial statements (2019, 2020, and 2021) and for each of the manufacturing business units, we:
  - » Independently evaluated the appropriateness of manufacturing costs allocated to inventories based on the nature of those costs against the principles of IAS 2 - Inventories
  - » Extended our sample size to test the accuracy of the categorisation of costs being allocated to inventories by vouching to supporting documents
  - » Recalculated the cost allocation schedules and the quantification – where relevant - of the error over inventories, cost of sales and administrative and other expenses
- We assessed the consistency of the nature of indirect manufacturing costs allocated to inventory between the 2019, 2020 and 2021 financial years
- We evaluated the adequacy of the disclosures with reference to the requirements of IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors.

### Other information

The directors are responsible for the other information. The other information comprises the information included on pages 73 to 79 document titled "Hulamín Limited Annual Financial Statements for the year ended 31 December 2021", 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.
- 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.

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 Hulam Limited for 4 years.

*Ernst & Young Inc.*

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

25 April 2022  
Durban

## Consolidated statement of financial position

as at 31 December 2021

	Notes	2021 R'000	2020 Restated R'000	2019 Restated R'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	5.1	889 037	813 097	813 570
Right-of-use assets	5.2	37 476	44 550	17 108
Intangible assets	5.3	34 875	33 162	13 157
Retirement benefit asset	8.2 (c)	47 313	63 084	95 560
Deferred tax asset	9.2	129 586	15 449	93 130
Other assets	5.4	32 150	8 482	–
Investments accounted for using the equity method	6.1(d)	74 980	58 635	–
		<b>1 245 417</b>	1 036 459	1 032 525
<b>Current assets</b>				
Inventories	4.2	3 033 830	2 291 860	2 143 510
Trade and other receivables	4.3 (b)	1 442 901	1 097 335	804 415
Derivative financial assets	7.1 (d)	9 791	7 708	88 661
Cash and cash equivalents	4.1	149 474	38 045	126 207
Other assets	5.4	–	4 523	–
Income tax asset		102	12 873	17 562
		<b>4 636 098</b>	3 452 344	3 180 355
Non-current assets classified as held for sale	6.2	–	14 250	14 250
<b>Total assets</b>		<b>5 881 515</b>	4 503 053	4 227 130
<b>EQUITY</b>				
Stated capital and consolidated shares	3.4	1 817 627	1 817 627	1 817 580
Treasury shares	3.4	(35 863)	(35 863)	(22 000)
BEE reserve		28 547	24 576	24 576
Employee share-based payment reserve		48 170	57 321	63 305
Hedging reserve	7.1 (d)	(4 217)	1 724	12 505
Retained Earnings		1 068 611	461 093	641 444
<b>Total equity</b>		<b>2 922 875</b>	2 326 478	2 537 410
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Lease liabilities	3.2	41 456	47 251	34 405
Deferred tax liability	9.2	902	2 070	16 990
Retirement benefit obligations	8.2	205 931	202 899	225 007
		<b>248 289</b>	252 220	276 402
<b>Current Liabilities</b>				
Trade and other payables	4.4	1 892 276	1 114 788	1 005 121
Current borrowings	3.1	800 076	789 053	352 083
Lease liabilities	3.2	11 467	20 514	12 088
Income tax liability		5 837	–	–
Derivative financial liabilities	7.1 (d)	695	–	44 026
		<b>2 710 351</b>	1 924 355	1 413 318
<b>Total liabilities</b>		<b>2 958 640</b>	2 176 575	1 689 720
<b>Total equity and liabilities</b>		<b>5 881 515</b>	4 503 053	4 227 130

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

## Consolidated statement of profit or loss

for the year ended 31 December 2021

	Notes	2021 R'000	2020 Restated R'000
<b>Revenue from contracts with customers</b>	2.3	<b>13 014 883</b>	8 548 878
Cost of goods sold	2.4.1	<b>(11 328 626)</b>	(7 636 339)
Cost of services provided	2.4.1	<b>(48 889)</b>	(20 730)
<b>Gross profit</b>		<b>1 637 368</b>	891 809
Selling, marketing and distribution expenses	2.4.1	<b>(653 478)</b>	(469 749)
Administrative and other expenses	2.4.1; 2.4.5	<b>(527 959)</b>	(421 147)
Impairment of loans in joint ventures reversed/(raised)	6.1(d)	<b>14 932</b>	(3 724)
Impairment losses reversed/(raised) on financial assets	4.3(c)	<b>4 430</b>	(5 068)
Impairment of property, plant and equipment and intangible assets	2.4.4	<b>–</b>	(8 432)
Gains/(losses) on financial instruments related to trading activities	2.4.2	<b>22 005</b>	(70 242)
Other gains	2.4.3	<b>40 704</b>	4 993
<b>Operating profit/(loss)</b>		<b>538 002</b>	(81 560)
Interest income	9.1	<b>9 356</b>	9 071
Interest expense	9.1	<b>(64 825)</b>	(45 965)
<b>Profit/(loss) before share of joint venture profits</b>		<b>482 533</b>	(118 454)
Share of net losses of joint ventures accounted for using the equity method	6.1(d)	<b>(2 258)</b>	(1 565)
<b>Profit/(loss) before tax</b>		<b>480 275</b>	(120 019)
Taxation	9.3	<b>110 985</b>	(119 490)
<b>Net profit/(loss) for the year attributable to equity holders of the company</b>		<b>591 260</b>	(239 509)
Basic earnings/(loss) per share (cents)	2.2	<b>192</b>	(78)
Diluted earnings/(loss) per share (cents)	2.2	<b>180</b>	(78)

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

## Consolidated statement of comprehensive income

for the year ended 31 December 2021

	Notes	2021 R'000	2020 Restated R'000
<b>Net profit/(loss) for the year attributable to equity holders of the company</b>		<b>591 260</b>	(239 509)
<b>Other comprehensive (loss)/income for the year</b>		<b>(3 567)</b>	19 637
Items that may be reclassified subsequently to profit or loss:		<b>(5 941)</b>	(10 781)
Cash flow hedges transferred to the statement of profit or (loss)	7.1(d)	<b>(34 354)</b>	210 379
Cash flow hedges remeasured	7.1(d)	<b>32 430</b>	(213 515)
Cost of hedging	7.1(d)	<b>(6 328)</b>	(11 838)
Income tax relating to these items		<b>2 311</b>	4 193
Items that will not be reclassified to profit or loss:		<b>2 374</b>	30 418
Remeasurements of retirement benefit obligations	8.2(d),(e)	<b>3 956</b>	31 399
Remeasurements of retirement benefit asset	8.2(c)	<b>(41)</b>	153
Income tax relating to these items		<b>(1 541)</b>	(1 134)
<b>Total comprehensive profit/(loss) for the year attributable to equity holders of the company</b>		<b>587 693</b>	(219 872)

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

# Consolidated cash flow statement

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from/(used in) operations	A	288 158	(280 184)
Interest paid		(68 382)	(60 438)
Interest received		3 763	8 358
Income taxes refund/(paid)		15 232	(28 231)
Net cash inflow/(outflow) from operating activities		238 771	(360 495)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	5.1	(141 844)	(131 432)
Additions to intangible assets	5.3	(12 599)	(8 848)
Proceeds on disposal of property, plant and equipment		55 000	–
Proceeds from other assets (lease receivable)	5.4	–	2 950
Proceeds from repayments of loan granted to investment accounted for using equity method		1 893	20 496
Net cash outflow from the group as a result of loss in control of Isizinda		–	(7 346)
Net cash outflow from investing activities		(97 550)	(124 180)
Cash flows before financing activities ("free cash flow")		141 221	(484 675)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from current borrowings*	3.4	11 023	436 970
Payment of principal portion of lease liabilities	3.3	(15 352)	(11 668)
Payment of customs deposits		(32 150)	–
Acquisition of treasury shares	3.5	–	(13 816)
Net cash (outflow)/inflow from financing activities		(36 479)	411 486
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>104 742</b>	<b>(73 189)</b>
Cash and cash equivalents at beginning of year	4.1	38 045	126 207
Effects of exchange rate changes on cash and cash equivalents	2.4.2	6 687	(14 973)
Cash and cash equivalents at end of year	4.1	149 474	38 045

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

# Notes to the consolidated cash flow statement

for the year ended 31 December 2021

	Notes	2021 R'000	2020 Restated R'000
<b>A Cash generated from operations</b>			
<b>Profit/(loss) before tax</b>		<b>480 275</b>	(120 018)
Net interest cost		55 469	36 894
<b>Operating profit/(loss)</b>		<b>535 744</b>	(83 124)
Adjusted for non-cash flow items:			
Depreciation of property, plant and equipment	5.1	68 131	48 392
Depreciation of right-of-use assets	5.2	7 585	8 691
Amortisation of intangible assets	5.3	10 884	7 153
Impairment of financial assets		(4 430)	5 068
(Reversal of impairment)/Impairment of loans to joint ventures		(14 932)	3 724
Impairment of property, plant and equipment and intangible assets	2.4.4	–	8 432
(Profit)/loss on disposal of property, plant and equipment	2.4.3	(39 505)	–
Loss arising from loss of control in Isizinda	2.4.3	–	11 207
Gain on liquidation of pension fund		–	(16 000)
Share of net loss losses of Joint Ventures accounted for using the equity method	6.1(d)	2 258	1 565
Net movement in retirement benefit asset and obligations	8.2	22 718	41 921
Value of employee services received under share schemes	2.4.1(a)	8 703	22 756
Foreign exchange losses on cash and cash equivalents	2.4.2	(6 687)	14 973
Currency exchange translation on foreign debtors and creditors	2.4.2	(8 062)	(5 482)
Other non-cash items		(3 086)	(3 253)
<b>Cash generated before working capital changes</b>		<b>579 321</b>	66 023
Changes in working capital	B	(291 163)	(346 207)
<b>Cash generated/(used in) from operations</b>		<b>288 158</b>	(280 184)
<b>B Changes in working capital</b>			
Increase in inventories		(741 970)	(148 551)
Increase in trade and other receivables		(324 424)	(277 533)
Increase in derivatives		6 864	21 953
Increase in trade and other payables		768 367	57 924
		(291 163)	(346 207)

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

# Consolidated statement of changes in equity

for the year ended 31 December 2021

Note	Stated capital and consolidated shares	Treasury shares	Hedging reserve	Employee share-based payment reserve	BEE reserve	Retained earnings	Total equity
	A R'000	B R'000	C R'000	D R'000	E R'000	F R'000	R'000
<b>Balance at 31 December 2019 Restated</b>	1 817 580	(22 000)	12 505	63 305	24 576	641 444	2 537 410
Net loss for the year	–	–	–	–	–	(239 509)	(239 509)
Other comprehensive (loss)/income net of tax:							
– cash flow hedges	–	–	(10 781)	–	–	–	(10 781)
– retirement benefit assets and obligations	–	–	–	–	–	30 418	30 418
Equity settled share-based payment schemes:							
– Value of employee services (note 2.4.1)	–	–	–	22 756	–	–	22 756
– Settlement and forfeiture of employee share incentives	–	–	–	(28 740)	–	28 740	–
– Vesting of A1 ordinary shares	47	(47)	–	–	–	–	–
– Acquisition of treasury shares	–	(13 816)	–	–	–	–	(13 816)
Dividend paid	–	–	–	–	–	–	–
<b>Balance at 31 December 2020 Restated</b>	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 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	–
Dividend paid	–	–	–	–	–	–	–
<b>Balance at 31 December 2021</b>	<b>1 817 627</b>	<b>(35 863)</b>	<b>(4 217)</b>	<b>48 170</b>	<b>28 547</b>	<b>1 068 611</b>	<b>2 922 875</b>

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 2021

## 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 (2020: 7 638 806 shares). The total cost of shares acquired in 2020 amounted to R13.8 million. The total deduction in paid-up capital in 2020 was R35.8 million.

## C: Hedging reserve

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

## D: Employee share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. On settlement, the value of the reserve is transferred to retained earnings. A deferred tax asset on outstanding grants is recognised where the grants are in-the-money, with the deferred tax on the portion above the fair value of the option being recognised directly in retained earnings. Further details of share options outstanding 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 2021

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## 1. General

### 1.1 Basis of preparation

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

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

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

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

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.

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

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

### 1.2 New accounting standards

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

Pronouncement	Effective date	Impact
<i>Interest rate Benchmark Reform- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments) (Phase 2)</i>	Financial years beginning on or after 1 January 2021.	The amendments made to IFRS 7 – Financial Instruments: Disclosures, IFRS 9 – Financial Instruments and IAS 39 – Financial Instruments: Recognition and Measurement provide certain reliefs in relation to interest rate benchmark reforms. The reliefs relate to hedge accounting and have the effect that the reforms should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. Given the pervasive nature of hedges involving IBOR-based contracts, the reliefs will affect all companies in all industries.  This amendment did not impact Hulammin as some of the hedging instruments currently held are linked to JIBAR and there has been no reform to this benchmark rate in the current year nor is it expected in the near future.
<i>Amendments to IFRS 16, 'Leases' – COVID-19 related rent concessions</i>	Financial years beginning on or after 1 June 2020.	The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This did not have a material impact on the group financial statements.

Other than the above, there were no new standards which were in issue and effective from 1 January 2021, applicable to Hulammin Limited.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 1. General continued

### 1.2 New accounting standards continued

#### (b) New and revised IFRS in issue but not yet effective

Hulamin will adopt these standards on their effective dates:

Pronouncement	Effective date	Impact
IFRS 17, 'Insurance contracts'	Financial years beginning on or after 1 January 2023	IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. Hulamin does not expect this to have a material impact on the group financial statements.
Classification of liabilities as Current or Non-current – Amendments to IAS 1	Effective date is the 1 January 2023 with a caveat that in July 2021, the Board tentatively decided to defer the effective date of the 2020 amendments to no earlier than 1 January 2024	The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. Hulamin does not expect this to have a material impact on the group financial statements.
A number of narrow-scope amendments to IFRS 3, IAS 8, IAS 12, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual periods beginning on or after 1 January 2022  IAS 8 and IAS 12 amendments are effective for annual periods beginning on or after January 2023	<p><b>Amendments</b> to IFRS 3, 'Business Combinations' updated a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.</p> <p><b>Amendments</b> to IAS 8, 'Accounting policies, changes in accounting estimates and errors' clarifies the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Further clarification is provided on how entities use measurement techniques and inputs to develop accounting estimates.</p> <p><b>Amendments</b> 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.</p> <p><b>Amendments</b> 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.</p> <p><b>Amendments</b> to IAS 37, 'Provisions, contingent liabilities, contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.</p> <p>Annual <b>improvements</b> 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'.</p> <p>Hulamin does not expect these amendments to have a material impact on the group financial statements.</p>

### 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:

- Non-current assets classified as held for sale (note 6.2)
- Derivative assets and liabilities (note 7.1)
- Impairment of non-financial assets (note 2.4.4)

### 1.4 Accounting for assets and liabilities

#### (i) Recognition

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

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

#### (ii) Derecognition

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

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

### 1.5 Financial instruments – initial recognition and subsequent measurement

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

#### (i) Financial assets

##### Initial recognition and measurement

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

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

##### 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.



# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 1. General continued

### 1.5 Financial instruments – initial recognition and subsequent measurement continued

#### (i) Financial assets continued

Financial assets at fair value through OCI are subsequently measured fair values at valuation and the associated gains and losses are taken 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.

### 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) IFRIC 23 Uncertainty of Income Tax Treatment

Interpretation IFRIC 23 clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. In applying IFRIC 23 the group assessed the risk profile of all uncertain tax matters based on the following criteria:

- the outcome of similar historical or current audits within the group;
- consensus opinions from expert advisers regarding areas and levels of tax risk; and
- changes in tax law impacting existing or future tax matters.

Based on this assessment, the potential cash tax outflow for each uncertain tax matter is quantified using the applicable statutory tax rate and applying a risk probability factor (exercising judgement on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probalised risk values are consolidated in arriving at the group's total estimated uncertain tax provision.

#### (vi) Investment in Isizinda Aluminium (Pty) Ltd ("Isizinda")

The group holds a 38.7% (2020: 38.7%) interest in Isizinda. Management have determined that the investment in Isizinda does not represent 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).

#### (vii) 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 3.3 and 5.2.

#### (viii) Non-current assets classified as held for sale

Critical assumptions and estimates have rendered certain assets belonging to the group to meet the criteria to be classified as held for sale at that date for the following reasons:

- The assets are available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification; and
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage. For more details on the assets held for sale refer to note 6.2.

#### (ix) 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.

#### (x) 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 3.3.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 1. General continued

### 1.6 Significant accounting judgements, estimates and assumptions continued

#### (xi) 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).

#### (xii) 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.

### 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 2021 (2020: RNil).

### 1.9 Going concern

The financial statements of the Hualamin Group for the year ended 31 December 2021 have been prepared on the going concern basis. The factors that have been considered in reaching this conclusion are as follows:

- Hualamin's 2021 financial performance and position as documented in detail throughout these financial statements
- Trading conditions in 2021 and outlook
- Liquidity and access to funding facilities
- Indicators of uncertainty
- Scenarios and forecasts
- Litigation and claims

These matters are considered below:

#### (a) 2021 financial performance and position

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

Earnings		2021	2020 Restated
Operating profit/(loss) before interest and tax	R'000	538 002	(81 560)
Net profit/(loss)	R'000	591 260	(239 509)
Profit/(loss) per share (Basic)	cents	192	(78)
Headline earnings/(loss) per share (Basic)	cents	182	(71)
Normalised EBITDA	R'000	152 345	(98 491)
<b>Cash flow and financial position</b>			
Cash flow from operating activities	R'000	238 771	(360 495)
Cash flow before financing activities ("free cash flow")*	R'000	141 221	(484 675)
Net debt	R'000	703 525	818 772
Equity	R'000	2 922 875	2 326 478
Net debt/equity ratio (note 7.4)	%	24.1	35.2
Net current assets	R'000	1 925 747	1 527 988
Current ratio	times	1.7	1.8

\* Refer the cashflow statement.

### Profit and earnings performance

#### Hualamin Rolled Products

The impact of Covid-19 on Hualamin Rolled Products was less pronounced in 2021 than it was in 2020. Although operational and market disruptions were experienced in 2021, the level of lockdown applied in South Africa was less severe than in 2020. Notably the lower domestic demand for beverage can products (owing to the ban on alcohol sales for part of 2020) was not repeated in 2021. Consequently, the increase in debt levels during 2020 has not repeated in 2021.

In December 2020, the South African government announced that a 15% import duty on rolled aluminium products would be imposed from January 2021. This contributed towards an increase in demand for local Rolled Products in 2021.

#### Hualamin Extrusions

2021 was a year of two contrasting halves. The strong demand evidence in the latter half of 2020 continued into the first half of 2021. Although there were still some minor disruptions due to the ongoing Covid-19 waves, the business was able to take advantage of the strong order book and translate that into strong financial performance.

By contrast the second half of the year was highly disrupted. In July the business lost a week of production due to the unrest in KZN. Volumes in the second half were further impacted by the global microchip issue which impacted volumes from the automotive sector. A strike in the Metal and Engineering sector in October resulted in further lost volumes as many customers, especially in the greater Johannesburg area were affected. In spite of these challenges and low volume the business was still able to return financial performance for the second half in line with business plan.

#### Liquidity and solvency

The group's net borrowings were R651 million (2020: R751 million) and net debt was R703.5 million (2020: R818 million) at 31 December 2021. This represents a net debt to equity ratio of 24% (2020: 35%).

#### (b) Trading conditions in 2022 and outlook

The trading conditions and outlook for 2022 are as follows:

#### Domestic market

Strong local demand for aluminium rolled products has continued through 2021 and into 2022. Demand is expected to remain robust in most product categories, except automotive heat exchanger material where demand is expected to remain muted as a result of ongoing silicon chip shortages amongst automotive manufacturers. Demand for can sheet material to support the local can beverage industry remains particularly strong. Foil and other packaging related aluminium products have also seen an increase in demand in the second half of 2021 and early 2022, which is expected to continue.

#### International market

Hualamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of lower value, distributor products referred to as common alloy. Global demand for aluminium rolled products has ramped up substantially during 2021 and looks set to continue through 2022 and beyond as economies recover from Covid-19.

New emissions regulations in most markets combined with increased consumer environmental conscientiousness is driving substitution in the automotive and packaging industries from steel, plastic and glass to aluminium as a "greener", more recyclable substrate. In addition to strong global demand, supply deficits of aluminium rolled products in many regions to which Hualamin exports material, along with relatively favourable trade access into the USA and EU is providing support for Hualamin's export sales.

#### (c) Liquidity and funding

Hualamin's facilities of R1.5 billion comprise a committed working capital facility of R1.2 billion and a borrowing facility ("GBF") of R300 million. The GBF\* is comprised of direct facilities of R200 million and indirect facilities (letters of credit and guarantee) of R100 million. This committed working capital facility was extended to September 2023 and repayment in 6 equal monthly instalments begins from 1 April 2023.

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

The following financial covenants are measured at each 6-month reporting period in respect of the Hualamin Group:

Covenant	Required level
Current ratio	>1.25 times
Debt to equity ratio	<0.50 times

The following additional security ratios are measured monthly in respect of Hualamin Operations Proprietary Limited:

Covenant	Required level
Stock cover ratio	>1.50 times
Collateral cover ratio	>1.20 times

As noted above, Hualamin closed 2021 with a strong balance sheet, with net debt of R703 million and a net debt to equity ratio of 24% and headroom with respect to its financial covenants and in relation to its direct borrowing facilities of R427 million.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 1. General continued

### 1.9 Going concern continued

#### (c) Liquidity and funding continued

Liquidity is expected to be a challenge in 2022 due to rising working capital as a result of the rising aluminium price.

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

- Management of the cash cycle by way of increased sales to customers offering supply chain financing programmes and metal procurement on short commitment cycles;
- Deferral of non-urgent operational and capital expenditure;
- Improved supplier credit facilities.

#### (d) Indicators of uncertainty

With the armed conflict in Eastern Europe adding to pre-existing energy shortages, the US Dollar price of aluminium has risen sharply in the first quarter of 2022. This has resulted in increases in Hulamin's working capital and therefore in Hulamin's net debt during the first quarter of 2022. The volatile geo-political climate may continue to impact commodity prices and exchange rates. In these uncertain times, Hulamin 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 facility availability, and with suppliers and customers to ensure that payment terms and credit limits are appropriate. A suite of less preferred actions could include temporary curtailment of operational activity if required to maintain liquidity.

Hulamin's sales are largely based on or denominated in US Dollars or Euros, whilst most of Hulamin's operating costs are incurred in Rand. As such, the Group's results and financial condition will be impacted if there is a material change in the Rand/US Dollar exchange rate. During December 2021, Hulamin Rolled Products hedged part of its US Dollar and Euro conversion margins by buying currency call options. Hulamin will therefore benefit from undue Rand weakness in 2022 without the risk of undue Rand strength.

High levels of volatility in currency levels and aluminium prices may also impact on cash flow and profitability through the metal price lag ("MPL"). Hulamin suspended its MPL hedging programme at the end of March 2020 in order to reduce potential further cash flow volatility from the commodity and currency hedges.

Further, Hulamin's operations may be adversely affected by demand disruptions or production stoppages caused by supply shortages, Covid-19 quarantining and deep cleaning activities, or labour absenteeism.

An uncertainty in the 12-month horizon which could impact demand, production, currency and commodity levels relates to the combination of the following:

#### (i) Continuity of primary aluminium supply from South32

The primary metal supply agreement with South32 will terminate on 31 December 2024. This termination date was contingent upon all required approvals for the agreement on electricity supply between Eskom and South32. During 2021 these approvals were granted and the termination date is now firm. At the termination date the metal supply agreement is subject to renegotiation.

#### (ii) The outcome of the US Anti-dumping ("AD") petition against imports of common alloy sheet

Towards the end of 2020, the US Department of Commerce ("DoC") levied preliminary anti-dumping duties on South Africa on imports of aluminium common alloy sheet into the USA. For the period 2018 to 2020, Hulamin's average sales of common alloy sheet into the US approximated 12% of Hulamin's total sales of rolled products; and represented less than 2% of the US common alloy sheet market. Hulamin's sales of common alloy sheet within the scope of the anti-dumping investigation has subsequently reduced in 2021 to less than 5% of total sales.

The rate was finalised at 8.85% in April 2021, is considered favourable in comparison with those of Hulamin's main competitors who are located outside of the US. In terms of the US DoC's process, any party to the anti-dumping investigation, or any Domestic US producer, can request an administrative review of an importer's anti-dumping rate prior to the anniversary month of the final determinations. Should a request be lodged by this date, the US DoC will commence the administrative review in April 2022, the outcome of which will be announced in April 2023. Any revised AD rate would be enacted retrospectively to common alloy sheet imports for the period April 2021 to March 2022.

#### (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.

These scenario's included ranges in the aluminium price of \$3 000/ton to \$4 000/ton and rand/dollar exchange rate movements of R15.00 to R16.50. For each of these scenario's Hulamin has determined an appropriate action plan to address any impact on liquidity.

#### (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 2021

### 2. Performance: measures used to assess performance continued

#### 2.1 Reportable segment analysis continued

##### (b) Segmental revenue, earnings and other disclosures

	2021			2020 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
<b>Revenue from contracts with customers: External</b>	<b>12 297 688</b>	<b>717 195</b>	<b>13 014 883</b>	8 005 726	543 152	8 548 878
Timing of revenue recognition:						
– At a point in time	12 248 800	717 195	12 965 995	7 984 996	543 152	8 528 148
– Over time	48 889	–	48 889	20 730	–	20 730
<b>Earnings</b>						
EBITDA**	539 523	85 079	624 602	(13 878)	4 986	(8 892)
Impairment of property, plant and equipment and intangibles	–	–	–	–	(8 432)	(8 432)
Depreciation and amortisation	(79 574)	(7 026)	(86 600)	(60 888)	(3 348)	(64 236)
<b>Operating profit/(loss)</b>	<b>459 949</b>	<b>78 053</b>	<b>538 002</b>	(74 766)	(6 794)	(81 560)
Interest received	9 356	–	9 356	9 071	–	9 071
Interest paid	(57 557)	(7 268)	(64 825)	(34 770)	(11 195)	(45 965)
<b>Profit/(loss) before share of joint venture profits</b>	<b>411 748</b>	<b>70 785</b>	<b>482 533</b>	(100 465)	(17 989)	(118 454)
Share of net losses on joint ventures accounted for using the equity method	(2 258)	–	(2 258)	(1 565)	–	(1 565)
<b>Profit/(loss) before tax</b>	<b>409 490</b>	<b>70 785</b>	<b>480 275</b>	(102 030)	(17 989)	(120 019)
Taxation	88 321	22 664	110 985	(119 490)	–	(119 490)
<b>Net profit/(loss) for the year</b>	<b>497 811</b>	<b>93 449</b>	<b>591 260</b>	(221 520)	(17 989)	(239 509)
<b>Reconciliation of net profit/(loss) (used in calculating earnings per share) to headline earnings/(loss)</b>						
Net profit/(loss) for the year	497 811	93 449	591 260	(221 520)	(17 989)	(239 509)
(Profit)/loss on disposal of property, plant and equipment	1 311	(40 816)	(39 505)	(13)	–	(13)
Impairment of property, plant and equipment and intangibles	–	–	–	–	8 432	8 432
Loss arising from loss of control in Isizinda	–	–	–	11 207	–	11 207
Proportional share of profit on disposal of property, plant and equipment by Joint venture	(2 734)	–	(2 734)	–	–	–
Tax effect	(367)	11 428	11 061	4	–	4
<b>Headline earnings/(loss) for the year</b>	<b>496 021</b>	<b>64 061</b>	<b>560 082</b>	(210 322)	(9 557)	(219 879)
<b>Reconciliation of headline earnings/(loss) to normalised EBITDA**</b>						
Headline earnings/(loss) for the year	496 021	64 061	560 082	(210 322)	(9 557)	(219 879)
Restructuring costs	(1 385)	(446)	(1 831)	–	12 673	12 673
Metal price lag	(425 927)	–	(425 927)	(111 901)	–	(111 901)
Tax effect	119 647	125	119 772	31 332	(3 548)	27 784
<b>Normalised headline earnings/(loss) (note A)</b>	<b>188 356</b>	<b>63 740</b>	<b>252 096</b>	(290 891)	(432)	(291 323)
Interest paid	57 557	7 268	64 825	34 770	11 195	45 965
Interest income	(9 356)	–	(9 356)	(9 071)	–	(9 071)
Taxation	(207 601)	(34 217)	(241 818)	88 354	3 348	91 702
<b>Normalised EBIT* (note A)</b>	<b>28 956</b>	<b>36 791</b>	<b>65 747</b>	(176 838)	14 111	(162 727)
Depreciation and amortisation	79 574	7 026	86 600	60 888	3 348	64 236
<b>Normalised EBITDA** (note A)</b>	<b>108 530</b>	<b>43 817</b>	<b>152 347</b>	(115 950)	17 459	(98 491)
<b>Total assets</b>	<b>5 602 716</b>	<b>278 799</b>	<b>5 881 515</b>	4 302 208	200 846	4 503 054
Total liabilities	2 840 337	118 303	2 958 640	2 040 199	136 376	2 176 575

\* Earnings before interest and taxation

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

	2021			2020 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
<b>Other disclosures</b>						
Cash additions to property, plant and equipment and intangible assets	132 792	21 651	154 443	116 529	23 751	140 280
<b>Currency conversion</b>						
Rand/US dollar average			14.79			16.45
Rand/US dollar closing			15.90			14.62

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 63% (2020: ten largest constituted 57%) of total group revenue.

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

#### 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 2020 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:

	2021 Number of shares	2020 Number of shares
Weighted average number of shares used for basic EPS*	308 496 091	308 496 091
Share options	19 084 418	657 581
Weighted average number of shares used for diluted EPS**	327 580 509	308 496 091

\* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year.

\*\* In 2021, 19 084 418 potential ordinary shares were dilutive (2020: 657 581 potential ordinary shares were anti-dilutive).

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 2. Performance: measures used to assess performance continued

#### 2.2 Earnings per share continued

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

	2021		2020 Restated	
	Gross R'000	Net of tax R'000	Gross R'000	Net of tax R'000
Net profit/(loss) for the year	–	591 260	–	(239 509)
Adjustments	(42 239)	(31 178)	19 626	19 630
– Impairment loss on property, plant and equipment and intangible assets	–	–	8 432	8 432
– Proportional share of profit on disposal of property, plant and equipment by Joint venture	(2 734)	(2 734)	–	–
– Loss arising from loss of control in Isizinda	–	–	11 207	11 207
– Profit/(loss) on disposal of property, plant and equipment	(39 505)	(28 444)	(13)	(9)
Headline earnings/(loss)		560 082		(219 879)
<b>Headline earnings/(loss) per share</b>				
Basic (cents)		182		(71)
Diluted (cents)		171		(71)
<b>Normalised headline earnings/(loss) per share</b>				
Basic (cents)		82		(94)
Diluted (cents)		77		(94)

##### Information concerning the classification of securities

#### (i) Options

Options granted to employees under the various Hulamín 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.

35 773 733 (2020: 54 197 400) options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2021. These options could potentially dilute basic earnings per share in the future.

#### (ii) Bonus shares

Rights to deferred shares granted to senior management under the group's short-term incentive scheme are included in the calculation of diluted earnings per share assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share.

### 2.3 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 Hulamín.

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 Hulamín 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.

	2021 R'000	2020 R'000
<b>Analysis of revenue by product market</b>		
Automotive and transport	1 093 236	1 542 497
Building and construction	191 824	150 267
General engineering	5 036 242	2 254 509
Packaging	6 667 143	4 587 401
Other*	26 438	14 204
	<b>13 014 883</b>	8 548 878
<b>Geographical analysis of revenue</b>		
South Africa	6 040 616	2 950 413
North America	2 730 193	1 258 694
Europe	3 308 491	2 894 756
Asia	141 217	421 198
Middle East	160 747	222 358
Australasia	365 469	99 256
South America	59 446	80 700
Rest of Africa	208 704	621 503
	<b>13 014 883</b>	8 548 878

\* Includes IFRS 9 revenue adjustment.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 2. Performance: measures used to assess performance continued

#### 2.3 Revenue from contracts with customers continued

##### (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:

	2021 R'000	2020 R'000
Within one year	6 349	857

#### 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

	2021 R'000	2020 Restated R'000
Aluminium and other material costs	8 481 989	5 061 218
Utilities and other direct manufacturing costs	1 315 082	1 145 312
Employment costs (note 2.4.1(a))	1 212 855	1 099 183
Termination benefits	–	7 839
Depreciation on property, plant & equipment (note 5.1)	68 131	48 392
Depreciation on right-of-use assets (note 5.2)	7 584	8 691
Amortisation of intangible assets (note 5.3)	10 884	7 152
Repairs and maintenance	377 781	274 099
Freight and commissions	530 423	414 179
Impairment of property, plant and equipment, right of use assets and intangible assets (note 2.4.4)	–	8 432
Other operating income and expenditure	549 792	486 967
	<b>12 554 521</b>	<b>8 561 464</b>
<b>Classified as:</b>		
Cost of sales of goods	11 328 626	7 636 339
Cost of providing services	48 888	20 730
Selling, marketing and distribution expenses	653 478	469 749
Administrative and other expenses (including net impairment losses on financial assets) (note 2.4.5)	523 529	426 214
Impairment of property, plant and equipment and intangible assets (note 2.4.4)	–	8 432
	<b>12 554 521</b>	<b>8 561 464</b>

##### 2.4.1(a) Employee benefit costs

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

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

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

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

	2021 R'000	2020 R'000
Employment costs		
Salaries and wages	1 117 423	1 002 092
Retirement benefit costs:	62 028	54 372
Defined contribution schemes (note 8.2)	65 749	59 662
Defined benefit scheme (note 8.2)	(3 721)	(5 290)
Post retirement medical aid costs (note 8.2)	20 029	15 082
Retirement gratuities (note 8.2)	4 672	4 881
Share incentive costs	8 703	22 756
	<b>1 212 855</b>	<b>1 099 183</b>

##### 2.4.2 Gains and losses on financial instruments related to trading activities

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

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

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

Other gains and losses 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.

	2021 R'000	2020 R'000
Foreign exchange gains on debtors and creditors balances	7 414	24 526
Foreign currency denominated cash balances	6 687	(14 973)
Valuation adjustments on non-derivative items	14 101	9 553
Foreign exchange contracts: firm commitments, debtors and creditors balances	3 352	(124 179)
Commodity futures	4 552	44 384
Valuation adjustments on derivative items	7 904	(79 795)
<b>Gains and losses on financial instruments related to trading activities</b>	<b>22 005</b>	<b>(70 242)</b>

##### 2.4.3 Other gains and losses

	2021 R'000	2020 R'000
Profit on disposal of property, plant and equipment	39 505	13
Loss arising from loss of control in Isizinda	–	(11 207)
Gain on liquidation of pension fund*	–	16 000
Other	1 199	187
	<b>40 704</b>	<b>4 993</b>

\* The gain on liquidation of the pension fund was a receipt awarded in 2020 to Hulam in respect of the employee surplus account for the Tangaat Hulett Pension Fund.

##### 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.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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

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) Rolled Products Cash Generating Unit

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

Key assumptions include:

		2021	2020		
<b>Comparison of key assumptions</b>					
Weighted average cost of capital					
– before tax		21.8%	21.5%		
– after tax		15.7%	16.1%		
		In year five		Compound annual growth rate	
		2021	2020	2021	2020
Annual average	(ZAR/USD)	16.32	16.94	2.0%	0.6%
Sales volume	(tons)	226 000	235 000	1.6%	8.7%
Rolling margins	(RM)	1 429	1 232	5.0%	1.9%
Total manufacturing costs	(RM)	3 541	3 559	2.8%	5.8%
Working capital investment	(RM)	138	143	3.2%	3.7%

A pre-tax discount rate of 21.8% (post-tax 15.7%) was used in the calculation and this rate has decreased from the pre-tax 21.5% (post-tax 16.1%) used in 2020. The movement in the discount rate is impacted by:

- Increase in the cost of government bond rate; and
- The offset of the above increase with a decrease in the company specific risk premium due to improved performance and profitability levels. 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 R15.22 in 2022 to R16.32 in 2026.

Sales volumes are forecast to be slightly higher than volumes achieved in 2021 and will grow at a reasonable increase due to recovery from the lower Covid-19 2020 volumes experienced in H1 2021.

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 most product streams in 2022.

With the 15% import duty on aluminium imports into RSA effective from 2021, the improvement in domestic sales volume in 2021 is expected to continue.

These combined factors support that no impairment is necessary at year end.

##### 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	(365)	333
Rolling margins – average reduction of 5%	(1 401)	(703)
Exchange rate – R1 strengthening in ZAR/USD	(1 439)	(740)

##### Fair value less cost to sell

The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

The cumulative recoverable amount of the value of plant and machinery in the fair value less cost to sell model is R789 million (2020: R701 million).

##### (ii) Extrusions Cash Generating Unit

Extrusions was able to take advantage of the strong order book and translated that into strong financial performance particularly in the H1 2021, while H2 2021 was plagued by the global shortage of automotive micro-chips. 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:

		2021	2020
<b>Comparison of key assumptions</b>			
Weighted average cost of capital			
– before tax		22.51%	23.3%
– after tax		16.22%	16.79%
		2021	2020
Annual average	(ZAR/USD)	15.63	16.79
Sales volume	(tons)	12 664	13 384
Sales volume growth rate	(%)	3	2
Total manufacturing costs growth rate	(%)	7	4

##### 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)	(12)
EBIT – average reduction of 5%	(14)	(11)
Exchange rate – R1 weakening in ZAR/USD	(18)	(19)

##### Fair value less cost to sell

The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

The cumulative recoverable amount of the plant & machinery value derived from the fair value less cost to sell model is R30 million (2020: R22 million).

##### (iii) Containers Cash Generating Unit

In previous years Containers had been included in the RP impairment valuation and a decision was to split this out in the current year.

Containers experienced a slow recovery in the post-Covid 19 lockdown period with trading conditions improving in 2021. The forecast cashflows include an improved order book for 2022, negotiated increased sales prices and the loss if some customers due to aggressive competition experienced in the market.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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

##### (iii) Containers Cash Generating Unit continued

Key assumptions include:

		2021
<b>Comparison of key assumptions</b>		
Weighted average cost of capital		
– before tax		22.51%
– after tax		16.22%
<b>Sensitivity analysis</b>		
		2021
Annual average	(ZAR/USD)	15.63
Sales volume	(tons)	1 543
Sales volume growth rate	(%)	7
Total manufacturing costs growth rate	(%)	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	(6)	33
EBIT – average reduction of 5%	(18)	21
Exchange rate – R1 weakening in ZAR/USD	(33)	6

The impairment charges recognised in the income statement are as follows:

	2021 R'000	2020 R'000
Extrusions Olifantsfontein property, plant and equipment – note (a)(ii)	–	8 432
Total impairment charge	–	8 432
Taxation	–	–
Net impairment charge	–	8 432

##### 2.4.5 Administrative and other expenses

The following items are included in administrative and other expenses.

	2021 R'000	2020 R'000
Increase in expected credit loss of financial assets	(4 430)	5 068
Termination benefits	–	7 839
Auditors' remuneration (Internal and external)	13 335	15 053
Audit fees	13 269	14 906
Fees for other services	–	–
Expenses	66	147

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

#### 3.1 Current borrowings

	2021 R'000	2020 R'000
Nedbank revolving facilities	800 076	789 053
	800 076	789 053
Effective interest rates are as follows:		
Nedbank revolving facility (%)	(%) 6.25	5.98

The Nedbank revolving facilities comprise gross borrowings of R800 million (2020: R789 million). Per the agreement signed with Nedbank in 2019 there is no restriction on credit balances in bank accounts.

The Nedbank revolving facilities are secured against inventories, trade receivables, bank balances, moveable items of property, plant and equipment and also against credit insurance on trade receivables and against insurance on fixed assets.

The terms of the Nedbank revolving facilities require prior notification for the following specified events:

- Encumbering any assets to secure financial indebtedness in excess of R20 million;
- Making loans or guarantees in excess of R20 million;
- Disposing of assets for which the higher of market value or sales price thereof exceeds R20 million;
- Entering into a merger or corporate restructuring;
- 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 Nedbank Revolving Facility requires that the group comply with the following financial covenants:

	2021	2020
Current ratio	1.25	1.25
Debt to equity ratio*	0.5	0.5

\* As defined in the contractual agreements.

The group has complied with the financial covenants of its borrowing facilities during the 2021 and 2020 reporting period.

The obligations of the revolving credit 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 1 to 5 years but may have further extension options. Rentals periods vary between monthly and quarterly. Lease payments for some contracts include CPI increases.



## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

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

#### 3.2 Lease liabilities continued

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.

	2021 R'000	2020 R'000
<b>As at 1 January 2021</b>	<b>67 764</b>	46 493
Additions	511	32 939
Payment of principal and interest	(20 415)	(17 992)
Interest	5 063	6 324
<b>As at 31 December 2021</b>	<b>52 923</b>	67 764
Current	11 467	20 514
Non-current	41 456	47 251

#### 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 2021.

	2021 R'000	2020 R'000
Net debt comprises:		
Cash and cash equivalents (note 4.1)	149 474	38 045
Current borrowings (note 3.1)	(800 076)	(789 053)
Lease liabilities (note 3.2)	(52 923)	(67 764)
Net debt (note 7.4)	(703 525)	(818 772)
Cash and cash equivalents	149 474	38 045
Gross debt – variable interest rates	(852 999)	(856 817)
Net debt	(703 525)	(818 772)

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

	Assets		Liabilities from financing activities			Total
	Cash	Lease liabilities – due within one year	Lease liabilities – due after one year	Borrowings – due within one year	Borrowings – due after one year	
<b>Opening balance as at 01 January 2020</b>	126 207	(12 088)	(34 405)	(352 083)	–	(272 369)
Cash flows	(73 189)	3 532	8 136	(436 970)	–	(498 491)
Additions – leases	–	(11 958)	(20 981)	–	–	(32 939)
Foreign exchange adjustments	(14 973)	–	–	–	–	(14 973)
<b>Net debt as at 31 December 2020</b>	<b>38 045</b>	<b>(20 514)</b>	<b>(47 250)</b>	<b>(789 053)</b>	<b>–</b>	<b>(818 772)</b>
Cash flows	104 742	9 245	6 107	(11 023)	–	109 071
Additions – leases	–	(198)	(313)	–	–	(511)
Foreign exchange adjustments	6 687	–	–	–	–	6 687
<b>Net debt as at 31 December 2021</b>	<b>149 474</b>	<b>(11 467)</b>	<b>(41 456)</b>	<b>(800 076)</b>	<b>–</b>	<b>(703 525)</b>

#### 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 (2020: 800 000 000 ordinary shares).

31 477 333 A ordinary shares of no par value (2020: 31 477 333 A ordinary shares).

36 072 000 B ordinary shares of no par value (2020: 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

	2021 R'000	2020 R'000
<b>Ordinary shares</b>		
Closing balance: 324 318 436 shares of no par value (fully paid up) (2020: 324 318 436 shares (fully paid up))	1 817 627	1 817 627
<b>A ordinary shares</b>		
Closing balance: 26 755 733 A2 shares and 4 721 600 A3 ordinary shares (fully paid up) (2020: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	59 656	59 609
<b>B ordinary shares</b>		
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2020: 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	1 877 597
Consolidated A and B ordinary shares	(60 017)	(59 970)
Stated capital	1 817 627	1 817 627

#### Issued shares movement schedule

	2021 No.	2020 No.
<b>Ordinary shares:</b>		
Opening balance	324 318 436	319 596 836
A1 shares converted to ordinary share capital	–	4 721 600
<b>Closing Balance</b>	<b>324 318 436</b>	324 318 436
<b>A ordinary shares:</b>		
Opening balance	26 755 733	31 477 333
A3 shares issued	4 721 600	–
Converted to ordinary issued shares	–	(4721 600)
<b>Closing balance</b>	<b>31 477 333</b>	26 755 733
<b>B ordinary shares:</b>		
Opening balance	36 072 000	36 072 000
Movement	–	–
<b>Closing balance</b>	<b>36 072 000</b>	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 2021, 6 801 529 unissued ordinary shares (2020: 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.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

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

#### 3.4 Stated capital, consolidation shares and treasury shares continued

##### (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.

	2021 R'000	2020 R'000
Bank balances	149 460	38 031
Cash on hand	14	14
	<b>149 474</b>	<b>38 045</b>
Effective interest rate on credit balances (%)	–	–

Bank balances with a carrying value of R129 million (2020: R13.5 million) were pledged as security for borrowing facilities (note 3.2). For further information on the credit quality of cash, refer to the Financial Risk Management section (note 7).

The group has sufficient liquidity available through its working capital facilities in place with Nedbank Limited. Committed undrawn facilities available at year-end are further detailed in note 7.3.

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

	2021 R'000	2020 R'000
Euro	22 121	7 433
Pound Sterling	10 342	4 213
US Dollar	13 925	4 450

The increase in foreign currency denominated cash and cash equivalents is timing related with respect to converting back to ZAR.

#### 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:

	2021 R'000	2020 Restated R'000
Raw materials	906 647	407 695
Work-in-progress	536 537	632 568
Finished goods	1 082 241	956 412
Consumable stores	508 405	295 185
	<b>3 033 830</b>	<b>2 291 860</b>

Inventories with a carrying value of R2 615 million (2020: R1886 million) are encumbered as security for borrowing facilities (note 3.2). Inventories recognised as an expense during the year ended 31 December 2021 amounted to R15.5 million (2020: R7.8 million). Certain items of inventory were written down to net realisable value. These were recognised as an expense and included in cost of sale of goods in the statement of profit or loss as follows:

	2021 R'000	2020 R'000
Inventory net realisable value adjustment	(34 539)	23 022

### 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

	2021 R'000	2020 R'000
<b>Financial assets</b>	<b>1 289 537</b>	964 350
Trade receivables – net of settlement discounts	1 264 373	903 899
Less: Loss allowance	(5 529)	(9 959)
Net Trade receivables	1 258 844	893 939
Sundry receivables	30 693	70 410
<b>Non-financial assets</b>	<b>153 364</b>	132 985
Prepayments	45 109	53 523
Value-added taxation receivable	108 255	79 462
	<b>1 442 901</b>	<b>1 097 335</b>

Included in trade receivables is an amount of R19.4 million (2020: R17.8 million) relating to claims from customers on current year sales for which it is probable that credit notes will be issued in the following financial year.

Included in sundry receivables is a specific ECL provision amounting to R14.8 million. 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.

Included in sundry receivables is a specific ECL provision amounting to R14.8 million. The provision is determined in line with the group's accounting policy for expected credit losses.

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% (2020: 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.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 4. Working capital: measures used to assess liquidity continued

#### 4.3 Trade and other receivables continued

##### (c) Impairment of trade receivables continued

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2021 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 Hulamín 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.

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

On that basis, the loss allowance as at 31 December 2021 was determined as follows for trade receivables:

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

The loss allowance as at 31 December 2020 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
<b>Export debtors at 31 December 2020</b>								
Expected loss rate (%)	(%)	–	0.3	1.3	1.9	2.0	1.8	
Gross carrying amount (R'000)	(R'000)	373 499	98 149	18 924	5 939	2 664	2 431	501 606
Loss allowance (R'000)	(R'000)	19	252	241	115	54	43	724
<b>Local debtors at 31 December 2020</b>								
Expected loss rate (%)	(%)	–	0.1	1.6	(0.9)	25.8	44.5	
Gross carrying amount (R'000)	(R'000)	395 657	99 631	10 395	(448)	4 260	17 678	527 173
Loss allowance (R'000)	(R'000)	11	88	170	4	1 097	7 864	9 234

The closing loss allowance for trade receivables as at 31 December 2021 reconciles to the opening loss allowance as follows:

	2021	2020
	R'000	R'000
<b>Opening balance</b>	9 959	7 001
(Decrease)/Increase in loss allowance recognised in profit or loss during the year	(4 430)	5 068
Receivables written off during the year as uncollectible	–	(2 110)
<b>Closing balance</b>	5 529	9 959

The reduction in the current year's 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 2021, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:

	2021	2020
	R'000	R'000
Receivables that are not overdue and remain within credit limits	1 102 048	889 948
Receivables which have exceeded credit terms and are:	180 716	74 859
Overdue by less than 60 days	119 508	53 853
Overdue by more than 60 days	61 207	21 006
<b>Total financial assets, net of provision for credit losses</b>	<b>1 282 764</b>	964 807
	2021	2020
	R'000	R'000
Local trade receivables	677 440	475 416
– Balance subject to credit insurance (%)	99	95
Export trade receivables	580 829	442 291
– Balance subject to credit insurance (%)	97	100
	1 258 269	917 707

At 31 December 2021, the group had 23 debtors that owed it more than R10 million each and accounted for approximately 71% of all receivables outstanding (the prior year included 22 debtors that owed it more than R10 million each and accounted for approximately 78% of all receivables outstanding). There is no other significant concentration of risk related to a particular customer or industry segments. As at 31 December 2021, 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 20% excess on local and export debtors.

Trade and other receivables with a carrying value of R1.3 billion (2020: R790 million) 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.

	2021	2021	2020
	Foreign	Rand	Rand
	amount	amount	amount
	'000	R'000	R'000
Euro	10 552	190 026	38 170
GBP	592	12 720	–
US Dollar	3 346	53 216	68 071
		255 962	106 241

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 4. Working capital: measures used to assess liquidity continued

#### 4.4 Trade and other payables

	2021 R'000	2020 R'000
Trade payables	1 455 819	876 535
Bonus accrual	44 384	15 946
Leave pay*	76 653	67 669
Current leave obligations expected to be settled after 12 months	22 649	18 693
Current leave obligations expected to be settled within 12 months	54 004	48 976
Sundry accruals and other payables**	315 421	154 638
	1 892 276	1 114 788

\* 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.

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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

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

#### 5.1 Property, plant and equipment

##### (a) Accounting policies and significant judgements

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

##### (i) Useful lives and residual values

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

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

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually. During the current year, the useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments. No adjustments have been made to these.

##### (ii) Derecognition

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

##### (iii) Borrowing costs

Borrowing costs include interest and other costs incurred in connection with the borrowing of funds.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The amount of borrowing costs capitalised during the year ended 31 December 2021 was R5.9 million (2020: R7.6 million). The weighted average interest rate used for borrowing costs capitalised is 6.1% (2020: 7.5%).

##### (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
<b>2021</b>					
<b>At cost</b>					
Balance at beginning of year	8 101 753	1 034 368	6 564 538	218 604	284 243
Additions	154 443	658	17 182	1 414	135 189
Borrowing costs capitalised	3 673	–	–	–	3 673
Capitalised from capital works under construction	–	388	167 997	5 910	(174 295)
Transfers to intangible assets	(12 599)	–	–	–	(12 599)
Disposals	(23 776)	–	(23 776)	–	–
Transfer to Assets-held-for sale	–	–	–	–	–
Balance at end of year	8 223 494	1 035 414	6 725 941	225 928	236 211
<b>Accumulated depreciation and impairment losses</b>					
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	–
Impairment of property, plant and equipment (note 2.4.4)	–	–	–	–	–
Disposals	(22 330)	–	(22 330)	–	–
Transfer to Assets-held-for sale	–	–	–	–	–
Balance at end of year	7 334 457	879 244	6 054 556	197 738	202 918
<b>Carrying value at 31 December 2021</b>	<b>889 037</b>	<b>156 170</b>	<b>671 385</b>	<b>28 190</b>	<b>33 293</b>
<b>2020</b>					
<b>At cost</b>					
Balance at beginning of year	8 118 634	1 104 372	6 491 954	233 970	288 338
Additions	131 432	1 589	13 792	190	115 861
Deconsolidation of Isizinda	(120 811)	(72 472)	(21 587)	(20 278)	(6 474)
Borrowing costs capitalised	7 590	–	–	–	7 590
Capitalised from capital works under construction	–	879	82 487	4 722	(88 088)
Transfer to intangible assets	(20 049)	–	–	–	(20 049)
Transfers to Assets-held-for-sale	(15 043)	–	(2 108)	–	(12 935)
Disposals	–	–	–	–	–
Balance at end of year	8 101 753	1 034 368	6 564 538	218 604	284 243
<b>Accumulated depreciation and impairment losses</b>					
Balance at beginning of year	7 305 064	881 511	6 022 080	194 404	207 069
Charge for the year (note 2.4.1)	48 392	8 265	33 033	7 094	–
Deconsolidation of Isizinda	(72 411)	(16 717)	(45 224)	(7 450)	(3 020)
Capitalised from capital works under construction	–	–	1 131	–	(1 131)
Impairment of property, plant and equipment (note 2.4.4)	8 432	–	8 432	–	–
Transfers to Assets-held-for-sale	–	–	–	–	–
Disposals	(821)	–	(821)	–	–
Balance at end of year	7 288 656	873 059	6 018 631	194 048	202 918
<b>Carrying value at 31 December 2020</b>	<b>813 097</b>	<b>161 309</b>	<b>545 907</b>	<b>24 556</b>	<b>81 325</b>

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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 continued

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

Moveable items with a carrying value of R11.8 million (2020: R12.9 million) are encumbered as security for borrowing facilities (note 3.1).

The total depreciation charge is included in cost of sales, R74.2 million (2020: R66.8 million), and inventory, R12.4 million (2020: R9.4 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
<b>01 January 2020</b>	17 108	2 245	14 863
Additions	36 133	32 779	3 354
Depreciation expense (note 2.4.1)	(8 691)	(2 110)	(6 581)
<b>31 December 2020</b>	44 550	32 914	11 636
<b>01 January 2021</b>	44 550	32 914	11 636
Additions	511	–	511
Depreciation expense (note 2.4.1)	(7 585)	(1 639)	(5 946)
<b>31 December 2021</b>	37 476	31 275	6 201

#### 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 6.1% (2020: 7.5%).

Capital work in progress ("CWIP") included within the total software cost below is R12.6 million (2020: R5.7million). Once the asset is commissioned amortisation thereof will commence.

	2021 R'000	2020 R'000
<b>Software costs – internally generated</b>		
Balance at beginning of year	100 189	77 270
Additions	10 971	22 919
Written off	–	–
Balance at end of year	111 160	100 189
<b>Accumulated amortisation</b>		
Balance at beginning of year	74 804	71 047
Charge for the year (note 2.4.1)	9 504	3 757
Written-off	–	–
Impairment of intangible assets (note 2.4.4)	–	–
Balance at end of year	84 308	74 804
<b>Carrying value at end of year</b>	<b>26 852</b>	<b>25 385</b>
<b>Software costs – purchased</b>		
Balance at beginning of year	112 309	106 332
Additions	1 627	5 977
Written-off	–	–
Balance at end of year	113 936	112 309
<b>Accumulated amortisation</b>		
Balance at beginning of year	104 532	99 398
Charge for the year (note 2.4.1)	1 380	3 395
Written-off	–	1 739
Impairment of intangible assets (note 2.4.4)	–	–
Balance at end of year	105 912	104 532
<b>Carrying value at end of year</b>	<b>8 024</b>	<b>7 777</b>
<b>Total software costs</b>		
Cost	225 096	212 498
Accumulated amortisation	(190 221)	(179 336)
<b>Carrying value at end of year</b>	<b>34 875</b>	<b>33 162</b>

#### 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.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

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

#### 5.4 Other assets continued

##### (a) Finance lease receivable continued

The following reconciliation reflects the anticipated cash receipts over the period of the lease:

Reconciliation of balance	2021	2020
Opening balance	13 005	–
Additions in the current year	–	14 204
Interest income	744	933
Other income statement charges	812	818
Proceeds	(14 562)	(2 950)
<b>Closing Balance</b>	<b>–</b>	<b>13 005</b>

The information relating to the finance lease receivable is disclosed below:

	2021	2020
Less than 1 year	–	4 523
1-2 years	–	9 046
2-3 years	–	7 814
<b>Gross Investment lease receivable</b>	<b>–</b>	<b>21 383</b>
Unearned future interest	–	(8 378)
<b>Net Investment in lease receivable</b>	<b>–</b>	<b>13 005</b>

#### Profit and loss information

	2021	2020
Profit or loss impact	812	1 183
Finance income on the net investment in the lease	744	933
	<b>1 556</b>	<b>2 116</b>

##### (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.

#### 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:

	2021 R'000	2020 R'000
Property, plant and equipment	23 235	52 681

### 6. Investments: investments in subsidiaries and joint ventures

#### 6.1 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 2021. 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 2021	Percentage equity interest 2020	Principal activities
<b>Subsidiaries</b>				
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
<b>Joint venture</b>				
Isizinda Aluminium (Pty) Ltd (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 consolidated financial statements continued

for the year ended 31 December 2021

### 6. Investments: investments in subsidiaries and joint ventures continued

#### 6.1 Details of investments in subsidiaries and joint venture continued

##### (c) The consolidated financial statements of the group include: continued

###### 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.

##### (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 structured vehicle 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:	2021	2021	2020	2020
	Prop share – 38.7% R'000	Balance – 100% R'000	Prop share – 38.7% R'000	Balance – 100% R'000
<b>Summarised statement of financial position</b>				
<b>Current assets</b>				
Cash and cash equivalents	24	62	64	165
Other current assets	5 223	13 497	2 532	6 543
Total current asset	5 247	13 559	2 596	6 708
Financial liabilities (excluding trade payables)	30 497	78 803	29 065	75 102
Total current liabilities	38 552	99 618	35 828	92 580
<b>Non-current assets</b>				
Property, plant and equipment	31 651	81 786	33 529	86 638
Total non-current asset	31 651	81 786	33 529	86 638
Net assets	(1 654)	(4 273)	296	766
<b>Summarised statement of comprehensive income</b>				
Revenue from contracts with customers	–	–	561	1 450
Finance costs	(2 165)	(5 593)	(2 242)	(5 793)
Finance income	1	1	96	248
<b>Profit/(loss) before tax</b>	<b>(1 834)</b>	<b>(4 738)</b>	(3 562)	(9 205)
Income tax expense	(424)	(1 096)	1 997	5 160
<b>Profit/(loss) after tax</b>	<b>(2 258)</b>	<b>(5 834)</b>	(1 565)	(4 045)
<b>Total comprehensive profit/(loss)</b>	<b>(2 258)</b>	<b>–</b>	(1 565)	(4 045)
<b>Reconciliation of summarised financial information presented to the carrying amount of the joint venture</b>				
Opening net assets on 1 January 2020	(1 565)	–	–	–
Adjusted total comprehensive loss for the year	(2 258)	–	(1 565)	–
Loan balance attributable to joint ventures	63 871	–	63 924	–
Net impairment reversal/(loss) on loans to joint ventures	14 932	–	(3 724)	–
Carrying value	74 980	–	58 635	–
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 2022. The loan balance due to Hulamin will be settled from the proceeds of this sale and thereafter Isizinda will be de-registered. Consequently the total impairment on Hulamin Operations' investment in Isizinda amounting to R14.9 million was reversed.

#### 6.2 Non-current assets held-for-sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 6. Investments: investments in subsidiaries and joint ventures continued

### 6.2 Non-current assets held-for-sale continued

#### (i) Extrusions Olifantsfontein plant (Extrusions Segment)

In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which included the intended disposal of the property, plant and equipment of its Olifantsfontein operation and Hulamin Extrusions entered into an agreement of sale of these assets with a third party. The fair value less costs to sell was determined with reference to a binding sale agreement, which indicated that the carrying amount exceeded the fair value less costs to sell by R6 million and an impairment charge of that amount was booked in profit or loss (refer note 2.4.4 (a)(ii) in 2020. The sale of this asset was realised in 2021.

	2021 R'000	2020 R'000
Property, plant and equipment – Extrusions Olifantsfontein (note 5.1(b))	–	14 250
	–	14 250

## 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 R9.2 million (2020: R4 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 2021.

#### (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. The group has additional hedges in place for customer orders where the price has been fixed for a future delivery date fixed price contracts (FPC).

Due to hedge accounting for commodity hedges, for every 5% weakening or strengthening of the price of aluminium at 31 December, after tax profit for the year would have been lower or higher by RNil (2020: RNil) based on the group's exposure to firm customer commitments (FPC) at the balance sheet date. The above change in aluminium prices would have had a R1.3 million effect on equity (2020: R1.5 million).

#### (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 (2020: nil) and no effect on equity (2020: 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 million (2020: 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) 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 is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The group 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 and LME future contracts to hedge its exposure to foreign currency and commodity risk. 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 and the forward element of the LME future contracts that relate to hedged items are recorded in equity.

#### (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.



## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 7. Financial risk management: measures to mitigate risk continued

#### 7.1 Market risk continued

#### (d) Hedge accounting continued

##### (iii) Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Spot component of currency forwards R'000	Spot component of LME futures R'000	Intrinsic value of options R'000	Cost of hedging R'000	Total hedge reserve R'000
<b>Opening balance January 2020</b>	14 658	(6 894)	7 357	(2 616)	12 505
Add: Change in fair value of hedging instrument recognised in OCI	(237 789)	118 509	(109 706)	15 471	(213 515)
Add: Costs of hedging deferred and recognised in OCI	–	–	–	(11 838)	(11 838)
Less: Reclassified to profit or loss – on hedge maturity	217 431	(106 540)	99 488	–	210 379
Less: Deferred tax	5 700	(3 351)	2 861	(1 017)	4 193
<b>Closing balance December 2020</b>	–	1 724	–	–	1 724
<b>Opening balance January 2021</b>	–	<b>1 724</b>	–	–	<b>1 724</b>
Add: Change in fair value of hedging instrument recognised in OCI	–	<b>32 430</b>	–	–	<b>32 430</b>
Add: Costs of hedging deferred and recognised	–	–	–	<b>(6 328)</b>	<b>(6 328)</b>
Less: Reclassified to profit or loss – on hedge maturity	–	<b>(34 354)</b>	–	–	<b>(34 354)</b>
Less: Deferred tax	–	<b>539</b>	–	<b>1 772</b>	<b>2 311</b>
<b>Closing balance December 2021</b>	–	<b>339</b>	–	<b>(4 556)</b>	<b>(4 217)</b>

##### (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:

	2021 R'000	2020 R'000
Net gains on forwards for LME futures not qualifying for hedge accounting included in gains and losses on financial instruments relating to trading activities	–	31 707
Hedge ineffectiveness of foreign currency forwards included in gains and losses on financial instruments relating to trading activities	<b>4 558</b>	(146 191)
Cash flow hedges included in revenue	<b>29 796</b>	(95 895)
	<b>34 354</b>	(210 379)

##### (v) Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The profit recognised in profit/(loss) as a result of hedge ineffectiveness amounts to R4.5 million (2020: loss of R146.2 million), refer note 7.1 (d) (iv).

**A summary of the fair value of the group's financial instruments used to mitigate foreign exchange and commodity price risk is shown below:**

	2021 R'000	2020 R'000
Foreign currency management – probable forecast sales	<b>8 568</b>	–
Foreign currency management – firm commitments, trade debtors, creditors and import orders	<b>58</b>	5 313
Commodity price management	<b>470</b>	2 395
	<b>9 096</b>	7 708
Grouped as:		
Financial assets	<b>9 791</b>	7 708
Financial liabilities	<b>(695)</b>	–
	<b>9 096</b>	7 708

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 2021 is R9.8 million (2020: R7.7 million).

The fair value measurement classification of the above financial instruments is level 2 (observable inputs) in accordance with the fair value hierarchy prescribed by IFRS 13. Key inputs used in the determination of fair value relate to London Metal Exchange aluminium prices and currency exchange rates.

##### (e) Foreign currency management – probable forecast sales

There were no forward foreign exchange contracts (FECs) on hand at period end or the prior period that were designated as hedging instruments in terms of hedge accounting.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 7. Financial risk management: measures to mitigate risk continued

#### 7.1 Market risk continued

##### (f) Foreign currency management – firm commitments, trade debtors, creditors and import orders

The following forward foreign exchange contracts and options cover foreign currency risk on trade debtors, creditors balances and import orders. The forward exchange contracts were not designated as hedging instruments for hedge accounting purposes at the period end:

	2021			2020		
	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000
<b>Forward purchases</b>						
Euro	16 765	(302 768)	(375)	11 019	(198 782)	(196)
Pound Sterling	475	(10 009)	202	–	–	–
US Dollar	19 240	(306 848)	(449)	4 834	(71 710)	(781)
		(619 625)	(622)		(270 492)	(978)
<b>Forward sales</b>						
Euro	(22 300)	401 878	(468)	(23 277)	423 584	3 299
Pound Sterling	(800)	17 290	92	–	–	–
US Dollar	(17 740)	284 044	1 055	(7 542)	113 522	2 992
		703 212	679		537 106	6 291
<b>Currency options</b>						
US Dollar	(97 200)	–	6 109	–	–	–
Euro	(28 800)	–	2 460	–	–	–
		–	8 569		–	–
<b>Net total</b>		<b>83 587</b>	<b>8 626</b>		266 615	5 313
Maturing in:*						
2021					266 615	5 313
2022		83 587	8 626		–	–
		83 587	8 626		266 615	5 313
Grouped as:						
Financial assets			9 213			6 291
Financial liabilities			(587)			(978)
			8 626			5 313

\* Derivative instruments on average hold a maturity of three-months or less.

##### (g) Commodity price management

The following futures contracts cover commodity price risk on future sales. The requirement for hedge accounting were met in 2021 and 2020:

	2021			2020		
	Tons	Contracted value R'000	Fair value asset/(liability) R'000	Tons	Contracted value R'000	Fair value asset/(liability) R'000
Net aluminium futures purchases/ (sales) maturing in*:						
2021				1 075	(28 910)	2 394
2022	900	(39 159)	470			
	900	(39 159)	470	1 075	(28 910)	2 394
Grouped as:						
Financial assets			596			2 394
Financial liabilities			(126)			–
			470			2 394

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 2021 and 2020.

\* 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	2021 R'000	2020 R'000
Revolving working capital facility	1 200 000	1 000 000
General short term facility	300 000	500 000
Current facilities	1 500 000	1 500 000
Non-current facilities	–	–
Total borrowing facilities	1 500 000	1 500 000
Less: indirect facilities allocated to letters of credit	–	(300 000)
	1 500 000	1 200 000
Utilised by:		
Non-current borrowings 3.1	–	–
Current borrowings 3.2	(800 076)	(789 053)
Cash and cash equivalents 4.1	149 474	38 045
Committed undrawn direct facilities and cash	849 398	448 992

Hulamin's borrowing facilities include a general short-term facility of R300 million (2020: R500 million), of which R100 million has been allocated to a letter of credit facility and revolving working capital facilities of R1.200 million (2020: R1 000 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 2021

### 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:

	Less than one year R'000	One to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
<b>2020</b>					
Non-current borrowings	–	–	–	–	–
Current borrowings	789 053	–	–	–	789 053
Lease Liabilities	20 514	28 526	4 282	54 240	107 562
Trade and other payables (excluding employee benefit payables)	989 171	–	–	–	989 171
Derivative financial liabilities	–	–	–	–	–
	<b>1 798 738</b>	<b>28 526</b>	<b>4 282</b>	<b>54 240</b>	<b>1 885 786</b>
<b>2021</b>					
Non-current borrowings	–	–	–	–	–
Current borrowings*	<b>800 076</b>	–	–	–	<b>800 076</b>
Trade and other payables (excluding employee benefit payables)	<b>1 768 591</b>	–	–	–	<b>1 768 591</b>
Lease liabilities	<b>6 075</b>	<b>13 069</b>	<b>8 599</b>	<b>49 924</b>	<b>77 666</b>
Derivative financial liabilities	<b>695</b>	–	–	–	<b>695</b>
	<b>2 585 132</b>	<b>13 069</b>	<b>8 599</b>	<b>49 924</b>	<b>2 656 723</b>

\* 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 R800 million (2020: R789 million) which are payable within a period of three months, including trade payables in the amount of R1.456 million (2020: R877 million). Trade receivables amounting to R1.259 million (2020: R893 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	2021 R'000	2020 Restated R'000
Current borrowings	3.1	<b>800 076</b>	789 053
Lease liabilities (current and non-current)		<b>52 923</b>	67 764
Total borrowings		<b>852 999</b>	856 817
Less: Cash and cash equivalents	4.1	<b>(149 474)</b>	(38 045)
Net debt		<b>703 524</b>	818 772
Total equity		<b>2 922 877</b>	2 326 479
Total capital		<b>3 626 401</b>	3 145 252
Gearing ratio percentage (net debt over total capital)		<b>19.4</b>	26.0

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.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The gearing ratio decreased to 19.4% (2020: 26.0%) at 31 December 2021.

### 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

###### (i) Hulam Limited Share Appreciation Right Scheme 2007

Under the Share Appreciation Right Scheme, participating employees are awarded the right to receive shares equal in value to the difference between the exercise price and the grant price.

The vesting of the right is conditional on the achievement by Hulam of performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at December 2020	Rights exercised in 2021	Rights forfeited/lapsed in 2021	Number of rights at Dec 2021	Rights time constrained
R6.90	R2.73	24 April 2014	1 353 435	–	<b>1 353 435</b>	–	–
			1 353 435	–	<b>1 353 435</b>	–	–

The volume-weighted average share price during the year for Hulam shares was R2.81 (2020: R1.32).

The estimated fair value of these share appreciation rights at grant date was determined using a binomial tree valuation model, based on the following significant input:

		2014
Share price at grant date	(R)	6.90
Risk-free interest rate	(%)	8.17
Expected volatility	(%)	42.22
Expected dividends	(%)	0.05
Expected remaining life (Months)	(months)	–
Contractual life (Months)	(months)	84

Vesting conditions:

- Time Three years
- Non-market An increase in Hulam Limited headline earnings per ordinary share as determined by the Remuneration Committee.
- Market None

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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 (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 2020	Conditional awards granted in 2021	Conditional awards vested in 2021	Conditional awards forfeited/lapsed in 2021	Number of conditional awards at January 2021	Conditional time constrained
Nil	3.93	26 July 2018	1 270 898	–	1 107 483	163 415	–	–
Nil	3.70	15 May 2019	1 529 459	–	20 389	101 908	1 407 162	1 407 162
			2 800 357	–	1 127 872	265 323	1 407 162	1 407 162

The volume-weighted average share price during the year for Hulamint shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs:

	2018	2019
Share price at grant date	(R) 4.34	4.11
Risk-free interest rate	(%) 7.34	7.08
Expected volatility	(%) N/A	N/A
Expected dividends	(%) 3.27	3.49
Expected remaining life (Months)	(months) 0	4
Contractual life (Months)	(months) 36	36

Vesting conditions:

- Time Three years
- Non-market None
- Market None

###### (iii) 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 Hulamint 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 2020	Conditional awards granted in 2020	Conditional awards forfeited/lapsed in 2021	Number of conditional awards at December 2021	Conditional time constrained
Nil	3.28	26 July 2018	1 504 975	–	1 504 975	–	–
Nil	3.22	15 May 2019	1 169 004	–	96 627	1 072 377	1 072 377
Nil	0.68	20 August 2020	5 353 769	–	195 727	5 158 042	5 158 042
Nil	1.83	26 May 2021	–	7 989 921	–	7 989 921	7 989 921
			8 027 748	7 989 921	1 797 329	14 220 340	14 220 340

The volume-weighted average share price during the year for Hulamint shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs

	2018	2019	2020	2021
Share price at grant date	(R) 4.34	4.11	0.99	2.24
Risk-free interest rate	(%) 7.34	7.08	4.08	4.95
Expected volatility	(%) 44.34	41.63	57.93	65.68
Expected dividends	(%) 3.27	3.49	5.13	2.12
Expected remaining life	(months) 0	4	20	29
Contractual life	(months) 36	36	36	36

Vesting conditions:

- Time Three years
- Non-market ROCE weighted 67%
- Market TSR weighted 33%

###### (iv) 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 2020	Conditional awards exercised in 2021	Conditional awards vested in 2021	Number of conditional awards at December 2021	Number of conditional awards at December 2021	Conditional time constrained
Nil	3.93	26 July 2018	353 243	–	353 243	–	–	–
			353 243	–	353 243	–	–	–

The volume-weighted average share price during the year for Hulamint shares was R2.81 (2020: R1.32).

The estimated fair value costing of these conditional share awards at the grant date was based on the following significant inputs

	2018
Share price at grant date	(R) 4.34
Risk-free interest rate	(%) 7.34
Expected volatility	(%) N/A
Expected dividends	(%) 3.27
Expected remaining life	(months) 0
Contractual life	(months) 36

Vesting conditions:

- Time Three years
- Non-market None
- Market None

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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 A1 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 and the employee must fall within stipulated Patterson Bands.

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 R1.1 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. Management are in the process of closing this Trust and anticipate this to be complete in the first quarter of 2022.

### 8.2 Retirement benefits

#### (a) Accounting policies and significant judgements

##### (i) Pension obligations

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

Contributions to defined contribution schemes are charged to profit or loss when incurred. The cost of providing benefits to the group's defined benefit plan are determined and provided using the projected unit credit actuarial valuation method. Remeasurements, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

The retirement benefit obligation recognised in the group statement of financial position represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans. The plan remains in a sound financial position and is governed by the Pension Funds Act, 1956 (Act No. 24 of 1956).

##### (ii) Post-retirement medical aid benefits and retirement gratuities

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

##### (iii) Retirement Benefit Schemes

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

#### (b) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R19 million (2020: R14.4 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 2021. The next valuation will be performed at 31 December 2022.

**Notes to the consolidated financial statements** continued  
for the year ended 31 December 2021

**8. Benefits and remuneration: our investment in our people** continued

**8.2 Retirement benefits** continued

**(c) Hulamin Pension Fund** continued

	2021 R'000	2020 R'000
<b>(i) Amounts recognised in the statement of financial position are as follows:</b>		
Fair value of plan assets (represents amounts held in employer surplus account)	72 701	80 325
Present value of funded obligations	(25 388)	(17 241)
Pension fund asset at end of year	47 313	63 084
<b>(ii) Movement in the defined benefit obligation is as follows:</b>		
Defined benefit obligation at beginning of year	17 241	17 679
Current service cost	2 028	2 357
Interest cost	2 136	1 971
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	2 582	(2 069)
Actuarial gains arising from experience adjustments	1 795	(890)
Benefits paid	(394)	(1 807)
Defined benefit obligation at end of year	25 388	17 241
<b>(iii) Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:</b>		
Fair value of plan assets at beginning of year	80 325	113 239
Interest income	7 885	9 618
Remeasurements:		
Losses on plan assets, excluding amounts included in interest income	4 336	(2 806)
Contribution funded from employer reserves	(19 451)	(37 919)
Benefits paid	(394)	(1 807)
Fair value of plan assets at end of year	72 701	80 325
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	68 232	57 798
Conservative portfolio	341	434
Money market and cash	4 128	22 093
	72 701	80 325
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year		
	68 834	58 287
<b>(iv) The amounts recognised in the statement of profit or loss are as follows:</b>		
Defined benefit plan (retirement benefit equalisation value)	(3 721)	(5 290)
Current service cost	2 028	2 357
Net interest income	(5 749)	(7 647)
Defined contribution plan	19 845	39 726
Employer contribution from reserves (utilisation of employer surplus account)	19 451	37 919
Employer cash contribution	394	1 807
	16 124	34 436
<b>(v) Amounts recognised in other comprehensive income are as follows:</b>		
Actuarial gains arising from changes in financial assumptions	2 582	(2 069)
Actuarial gains arising from experience adjustments	1 795	(890)
Gains on plan assets, excluding amounts included in interest income	(4 336)	2 806
	41	(153)

	2021 R'000	2020 R'000
The average duration of the benefit obligation at 31 December 2021 is 17.0 years (2020: 18.0 years).		
<b>(vi) Principal actuarial assumptions at the end of the reporting period are as follows:</b>		
Discount rate (%)	10.70	11.20
Future inflation rate (%)	5.90	5.70
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	(377)	(295)
1% increase in discount rate – effect on the obligation	(3 587)	(2 514)
1% decrease in discount rate – effect on current service cost	455	358
1% decrease in discount rate – effect on the obligation	4 321	3 044

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.

	2021 R'000	2020 R'000
<b>(i) Amounts recognised in the statement of financial position are as follows:</b>		
Present value of unfunded obligations	179 096	175 644
Liability in the balance sheet	179 096	175 644
<b>(ii) The liability can be reconciled as follows:</b>		
Balance at beginning of year	175 644	195 739
Total expense accrued	20 029	15 082
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	2 815	(11 509)
Actuarial gains arising from experience adjustments	(5 330)	(9 655)
Benefit payments	(14 062)	(14 013)
Balance at end of year	179 096	175 644
<b>(iii) Amounts recognised in the statement of profit or loss are as follows:</b>		
Interest costs	18 985	19 583
Current service costs	1 044	1 464
	20 029	21 047
<b>(iv) Amounts recognised in other comprehensive income are as follows:</b>		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	2 815	(11 509)
Actuarial gains arising from experience adjustments	(5 330)	(9 655)
	(2 515)	(21 164)

**(i) 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)

**Demographic assumptions:**

- Withdrawal, pre-retirement mortality and ill-health retirement rates
- Post-retirement mortality
- Family statistics

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 8. Benefits and remuneration: our investment in our people continued

#### 8.2 Retirement benefits continued

##### (d) Post-retirement Medical Aid Benefits continued

###### (i) Principal risks continued

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:

	2021 R'000	2020 R'000
Discount rate (%)	10.70	11.20
Future company subsidy rate – in service (%)	5.90	5.70
Future company medical subsidy increase – pensioners (%)	7.65	7.45
<b>Sensitivity of future company subsidy rate:</b>		
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs	2 072	2 177
1% increase in future company subsidy rate – effect on the obligation	17 585	17 563
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	(1 788)	(1 872)
1% decrease in future company subsidy rate – effect on the obligation	(15 240)	(15 173)
<b>Sensitivity of discount rate:</b>		
1% increase in discount rate – effect on current service cost	(135)	(242)
1% increase in discount rate – effect on the obligation	(14 618)	(14 527)
1% decrease in discount rate – effect on current service cost	112	244
1% decrease in discount rate – effect on the obligation	17 082	17 024

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 2021 is 9.8 years (2020: 10 years). This number is analysed as follows:

- Active members 16.6 years (2020: 16.8 years)
- Retired members 8.3 years (2020: 8.2 years)

	2021 R'000	2020 R'000
Estimated benefits payable by the group in the next financial year	14 786	14 356

##### (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.

	2021 R'000	2020 R'000
<b>(i) Amounts recognised in the statement of financial position are as follows:</b>		
Present value of unfunded obligations	28 885	27 255
Liability in the balance sheet	28 885	27 255
<b>(ii) The liability can be reconciled as follows:</b>		
Balance at beginning of year	27 255	29 268
Total expense accrued	4 672	4 881
Remeasurements:	(1 441)	(4 270)
Actuarial gains arising from changes in financial assumptions	(926)	(1 874)
Actuarial (gains)/losses arising from experience adjustments	(515)	(2 396)
Curtailment (gain)/loss	–	–
Gratuity payments	(1 601)	(2 624)
Balance at end of year	28 885	27 255
<b>(iii) Amounts recognised in the statement of profit or loss are as follows:</b>		
Interest costs	3 095	3 111
Service costs	1 577	1 770
	4 672	4 881
<b>(iv) Amounts recognised in other comprehensive income are as follows:</b>		
Actuarial gains arising from changes in financial assumptions	(926)	(1 874)
Actuarial (gains)/losses arising from experience adjustments	(515)	(2 396)
Curtailment (gain)/loss	–	–
	(1 441)	(4 270)

###### (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:

	2021 R'000	2020 R'000
Discount rate (%)	10.70	11.20
Future salary inflation rate (%)	5.90	5.70
<b>Sensitivity of future salary inflation rate:</b>		
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs	566	549
1% increase in future salary inflation rate – effect on the obligation	3 017	2 864
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs	(491)	(477)
1% decrease in future salary inflation rate – effect on the obligation	(2 665)	(2 523)

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.

# Notes to the consolidated financial statements continued

for the year ended 31 December 2021

## 8. Benefits and remuneration: our investment in our people continued

### 8.2 Retirement benefits continued

#### (e) Retirement gratuities continued

##### (i) Principal risks continued

The average duration of the benefit obligation at 31 December 2021 is 10.4 years (2020: 10.5 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1.2 million (2020: R2.4 million).

### 8.3 Directors' remuneration and interest

#### 8.3.1 Directors' remuneration

##### (i) Directors' and prescribed officer's remuneration during the 2021 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related payments Rand	Bonus payments Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted <sup>1</sup> Rand	Total Rand	Gains on exercise of share options Rand
<b>Non-executive</b>											
T P Leeuw	579 728	502 720						1 082 448		1 082 448	
V N Khumalo (note 2)	264 402	210 920						475 322		475 322	
S P 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	
	<b>3 306 250</b>	<b>2 588 671</b>						<b>5 894 921</b>		<b>5 894 921</b>	
<b>Executive</b>											
R G 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	
L M Farquharson (note 4)			650 400		395 499	48 652	81 113	1 175 664		1 175 664	
			<b>8 108 790</b>		<b>5 720 568</b>	<b>282 243</b>	<b>1 011 968</b>	<b>15 123 569</b>	<b>3 000 889</b>	<b>18 124 457</b>	<b>287 064</b>
	<b>3 306 250</b>	<b>2 588 671</b>	<b>8 108 790</b>		<b>5 720 568</b>	<b>282 243</b>	<b>1 011 968</b>	<b>21 018 490</b>	<b>3 000 889</b>	<b>24 019 337</b>	<b>287 064</b>

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<sup>1</sup>

	Cash package Rand	Bonus and performance related payments <sup>2</sup> 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	21 933 388	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.

##### (ii) Directors' and prescribed officer's remuneration during the 2020 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related pay-ments <sup>1</sup> Rand	Bonus payments Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted <sup>2</sup> Rand	Total Rand	Gains on exercise of share options Rand
<b>Non-executive</b>											
T P Leeuw	572 570	444 270						1 016 840		1 016 840	
V N Khumalo (note 3)	261 140	198 000						459 140		459 140	
N N A Matyumza	194 886	97 560						292 446		292 446	
S P Ngwenya	222 030	150 430						372 460		372 460	
GHM Watson	723 231	495 696						1 218 927		1 218 927	
N Maharajh	347 580	222 340						569 920		569 920	
CA Boles	311 276	217 800						529 076		529 076	
B Mehlomakulu	300 006	213 440						513 446		513 446	
RL Larson	570 350	404 868						975 218		975 218	
	<b>3 503 069</b>	<b>2 444 404</b>						<b>5 947 473</b>		<b>5 947 473</b>	
<b>Executive</b>											
R G Jacob			5 139 420		211 320	120 303	641 603	6 112 645	633 862	6 746 507	
A P Krull (note 4)			3 159 820			128 329	394 290	3 682 439		3 682 439	
L M Farquharson (note 5)			421 000		59 727	31 183	52 500	564 410	177 712	742 122	
M Z Mkhize (note 6)			589 518	7 838 779		23 653	73 552	8 525 503		8 525 503	
			<b>9 309 758</b>	<b>7 838 779</b>	<b>271 047</b>	<b>303 468</b>	<b>1 161 945</b>	<b>18 884 997</b>	<b>811 574</b>	<b>19 696 571</b>	
	<b>3 503 069</b>	<b>2 444 404</b>	<b>9 309 758</b>	<b>7 838 779</b>	<b>271 047</b>	<b>303 468</b>	<b>1 161 945</b>	<b>24 832 470</b>	<b>811 574</b>	<b>25 644 044</b>	

Note 1 Severance 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 A P Krull resigned as CFO and from the Hulamin board with effect from 31 October 2020.  
 Note 5 Mr L M Farquharson was appointed in a temporary capacity as CFO from 1 November 2020.  
 Note 6 Mr M Z Mkhize resigned as MD Rolled Products and from the Hulamin board with effect from 29 February 2020.

##### Executive Committee members' remuneration (excluding acting executive committee members) during the 2020 financial year<sup>1</sup>

	Cash package Rand	Bonus and performance related payments <sup>2</sup> 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	9 936 412	317 704	428 261	1 238 889	11 921 266	862 463	12 783 729	83 292

Note 1 Excluding executive directors.  
 Note 2 The bonus payments reflected above are in relation to the 2020 year, paid in 2021.

### 8.3.2 Interest of directors and prescribed officers in share-based instruments

#### (i) Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2014	Number of rights at December 2020	Number of rights exercised in 2021	Number of rights lapsed in 2021	Number of rights at December 2021	Rights time constrained
<b>Executive directors</b>						
RG Jacob	633 100	633 100		633 100		
	633 100	633 100		633 100		



## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 8. Benefits and remuneration: our investment in our people continued

#### 8.3 Directors' remuneration and interest continued

##### 8.3.2 Interest of directors and prescribed officers in share-based instruments continued

###### (ii) Employee Conditional Share Plan (Bonus shares)

	Number of conditional awards granted in 2018	Number of conditional awards at December 2020	Number of conditional awards granted in 2021	Number of conditional awards exercised in 2021	Number of conditional awards at Dec 2021	Conditional awards time constrained
<b>Executive directors</b>						
RG Jacob	117 649	117 649	–	117 649	–	–
	117 649	117 649	–	117 649	–	–

Grant price R6.22  
Grant Date 26 Jul 2018

###### (iii) Employee Conditional Share Plan (Performance shares)

	Number of conditional awards granted in 2018	Number of conditional awards granted in 2020	Number of conditional awards at December 2020	Number of conditional awards exercised in 2021	Number of conditional awards granted in 2021	Number of conditional awards lapsed in 2021	Number of conditional awards at Dec 2020	Conditional awards time constrained
<b>Executive directors</b>								
RG Jacob	321 279	932 150	1 253 429	–	1 116 224	321 279	2 048 374	2 048 374
M Gounder	–	–	–	–	523 606	–	523 606	523 606
	321 279	932 150	1 253 429	–	1 639 830	321 279	2 571 980	2 571 980

Grant price R6.22 R0.99 R2.24  
Grant Date 26 Jul 2018 20 Aug 2020 26 May 2021

##### 8.3.3 Interest of directors and prescribed officers of the company in share capital

The aggregate holdings as at 31 December 2021 of those directors of the company holding issued ordinary shares of the company are detailed below:

	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
<b>As at 31 December 2021</b>				
<b>Executive</b>				
R G Jacob	928 432	–	–	928 432
	928 432	–	–	928 432
<b>Non-executive</b>				
C A Boles	60 000	–	–	60 000
G H M Watson	27 763	–	–	27 763
	87 763	–	–	87 763
<b>Total</b>	<b>1 016 195</b>	<b>–</b>	<b>–</b>	<b>1 016 195</b>
<b>As at 31 December 2020</b>				
<b>Executive</b>				
R G Jacob	928 432	–	–	928 432
	928 432	–	–	928 432
<b>Non-executive</b>				
C A Boles	60 000	–	–	60 000
G H M Watson	27 763	–	–	27 763
	87 763	–	–	87 763
<b>Total</b>	<b>1 016 195</b>	<b>–</b>	<b>–</b>	<b>1 016 195</b>

### 9. Other: detailed disclosure requirements

#### 9.1 Net finance costs

	2021 R'000	2020 R'000
Interest expense	64 825	45 965
Non-current borrowings interest	–	2 826
Current borrowings interest	63 434	44 405
Interest on lease liabilities	5 063	6 324
Interest capitalised	(3 673)	(7 590)
Interest income	(9 356)	(9 071)
Net finance costs	55 469	36 894

#### 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 tax assets and liabilities of the Group have been computed based on the tax rate and prevailing tax laws as at 31 December 2021. On 23 February 2022, the South African Minister of Finance, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamini Group, the rate will change from 28% to 27% with effect from 01 January 2023.

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.

	2021 R'000	2020 R'000
<b>Deferred tax asset</b>		
At beginning of year	15 449	93 130
Deconsolidation of Isizinda	–	8 953
Tax (charged)/credited directly to equity	–	–
Statement of profit or loss:		
Current year credit/(charge)	46 970	(89 693)
Prior year credit/(charge)	67 101	–
Deferred tax charge in other comprehensive income	768	3 059
Balance transferred from deferred tax liabilities	(702)	–
At end of year	129 586	15 449
Comprising:		
Fixed assets	(2 939)	–
Retirement benefit obligations and other provisions	57 496	14 965
Provisions and leave accrual	38 663	–
Lease liabilities	16 064	–
Right-of-use asset	(11 908)	–
Share schemes	3 539	–
Assessed loss	14 710	–
Other	13 963	484
	129 586	15 449
Deferred tax asset to be recovered after more than 12 months	118 214	14 965
Deferred tax asset to be recovered within 12 months	11 372	484
	129 586	15 449

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 9. Other: detailed disclosure requirements continued

#### 9.2 Deferred tax continued

For the year ended 31 December 2021, 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 2021 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 R114.5 million deferred tax assets.

The group's unrecognised assessed loss as at 31 December 2021 is R32.5 million.

	2021 R'000	2020 R'000
<b>Deferred tax liability</b>		
At beginning of year	2 070	16 990
Deconsolidation of Isizinda(loss of control)	–	(15 280)
Statement of profit or loss:		
Current year credit/(charge)	(464)	360
Prior year credit/(charge)	–	–
Deferred tax charge in other comprehensive income	–	–
Balance transferred from deferred tax liability	(704)	–
At end of year	902	2 070
Comprising:		
Accelerated tax depreciation	–	–
Provisions and leave pay accruals	902	2 070
Derivative instruments – not designated as hedging instruments	–	–
	902	2 070
Deferred tax liability to be recovered after more than 12 months	–	–
Deferred tax liability to be recovered within 12 months	902	2 070
	902	2 070

#### 9.3 Taxation

The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is also recognised in equity.

An income tax asset arises as a result of provisional tax payments made during the year being in excess of the current tax charges. The income tax asset in the current year includes overpayments of tax made both in the current year and 2020.

Non-deductible expenses for the current and comparative year comprise of legal and professional expenses incurred in respect of capital projects.

The IFRIC 23 provision was raised in the current year amounting to R2.4 million following uncertainties regarding the taxation of income earned because of activities conducted by Hulamin North America LLC on behalf of Hulamin Operations (Pty) Ltd.

	2021 R'000	2020 Restated R'000
South African normal taxation:		
<b>Current</b>		
Current year charge	7 300	29 962
Prior year under/(over) provision	(3 749)	195
<b>Deferred</b>		
Current year (credit)/charge	(112 571)	89 333
Prior year (over)/under provision	(1 965)	–
	(110 985)	119 490
Foreign capital gains tax	–	–
	(110 985)	119 490
South African income tax is levied on the company and its subsidiaries and not the group.		
<b>Tax rate reconciliation</b>		
Normal rate of taxation	% 28.0	28.0
Adjusted for:		
Allowances not included in the statement of profit and loss	% (0.7)	3.3
Prior year over provision	% (14.8)	(0.2)
Expenses not deductible for tax purposes	% 2.2	(13.1)
Income not taxable for tax purpose	% (0.9)	–
Provision for uncertain tax positions	% 0.5	–
Capital gains tax	% (2.0)	(4.2)
Other	% –	(0.2)
Prior year deferred tax asset reversed	% –	(76.5)
Deferred tax asset not recognised	% (35.5)	(36.7)
Effective rate of taxation	(23.1)	(99.6)

#### 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 its related parties are disclosed below:

	2021 R'000	2020 R'000
Lease rental expense paid to joint venture	3 432	1 201
Utilities and services charge paid to joint venture	10 551	11 769
Balance due from Isizinda (note 6.1)	78 803	75 103
(Reversal of impairment)/Impairment of loan to Isizinda	(14 932)	3 724
Interest income from Isizinda	5 593	5 791

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.

## Notes to the consolidated financial statements continued

for the year ended 31 December 2021

### 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
<b>2021</b>				
<b>Financial assets – current</b>				
Trade and other receivables	1 442 901	–	–	1 442 901
Derivative financial assets	–	644	9 147	9 791
Cash and cash equivalents	149 474	–	–	149 474
	<b>1 592 375</b>	<b>644</b>	<b>9 147</b>	<b>1 602 166</b>
<b>Financial assets – Non current</b>				
Other assets (customs cash deposit)	32 150	–	–	32 150
	<b>32 150</b>	<b>–</b>	<b>–</b>	<b>32 150</b>
<b>Financial liabilities – current</b>				
Trade and other payables	1 892 276	–	–	1 892 276
Borrowings	800 076	–	–	800 076
Lease liabilities	11 467	–	–	11 467
Derivative financial instruments	–	587	108	695
	<b>2 703 818</b>	<b>587</b>	<b>108</b>	<b>2 704 513</b>
<b>Financial liabilities – non-current</b>				
Borrowings	–	–	–	–
Lease liabilities	41 456	–	–	41 456
	<b>41 456</b>	<b>–</b>	<b>–</b>	<b>41 456</b>
<b>2020</b>				
<b>Financial assets – current</b>				
Trade and other receivables	1 097 335	–	–	1 097 335
Derivative financial assets	–	5 313	2 394	7 708
Cash and cash equivalents	38 045	–	–	38 045
	<b>1 135 380</b>	<b>5 313</b>	<b>2 394</b>	<b>1 143 088</b>
<b>Financial liabilities – current</b>				
Trade and other payables	1 114 788	–	–	1 114 788
Borrowings	789 053	–	–	789 053
Lease liabilities	20 514	–	–	20 514
Derivative financial instruments	–	–	–	–
	<b>1 924 355</b>	<b>–</b>	<b>–</b>	<b>1 924 355</b>
<b>Financial liabilities – non-current</b>				
Borrowings	–	–	–	–
Lease Liabilities	47 251	–	–	47 251
	<b>47 251</b>	<b>–</b>	<b>–</b>	<b>47 251</b>

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.

### 10. Restatement and representation of the financial results for the year ended 31 December 2021

The Group continued with their ongoing assessment of financial internal controls in 2021 which included an assessment of the existing accounting practices and policies. The outcome was a reassessment of the accounting practice in respect of the capitalisation of manufacturing costs to inventory in accordance with IAS 2: Inventories. This resulted in a restatement of amounts previously capitalised to inventory and the resultant impact thereof in the statement of financial position, the statement of profit or loss and previously reported earnings in 2020 as detailed further in this note. The restatement has been performed in accordance with IAS 1: Presentation of Financial Statements.

The impact on the statement of financial position is as follows:

	Consolidated 2020			Consolidated 2019		
	Previously reported balance R'000	Restatement/Reclassification R'000	Restated Balance R'000	Previously reported balance R'000	Restatement/Reclassification R'000	Restated balance R'000
<b>ASSETS</b>						
<b>Non-current assets</b>						
Property, plant and equipment	813 097	–	813 097	813 570	–	813 570
Right-of-use assets	44 550	–	44 550	17 108	–	17 108
Intangible assets	33 162	–	33 162	13 157	–	13 157
Retirement benefit asset	63 084	–	63 084	95 560	–	95 560
Deferred tax asset	15 449	–	15 449	93 130	–	93 130
Other assets	8 482	–	8 482	–	–	–
Investments accounted for using the equity method	58 635	–	58 635	–	–	–
	<b>1 036 459</b>	<b>–</b>	<b>1 036 459</b>	<b>1 032 525</b>	<b>–</b>	<b>1 032 525</b>
<b>Current assets</b>						
Inventories	2 333 828	(41 968)	2 291 860	2 176 408	(32 898)	2 143 510
Trade and other receivables	1 097 335	–	1 097 335	804 415	–	804 415
Derivative financial assets	7 708	–	7 708	88 661	–	88 661
Cash and cash equivalents	38 045	–	38 045	126 207	–	126 207
Other assets	4 523	–	4 523	–	–	–
Income tax asset	12 873	–	12 873	17 562	–	17 562
	<b>3 494 312</b>	<b>(41 968)</b>	<b>3 452 344</b>	<b>3 213 253</b>	<b>(32 898)</b>	<b>3 180 355</b>
Non-current assets classified as held for sale	14 250	–	14 250	14 250	–	14 250
<b>Total assets</b>	<b>4 545 021</b>	<b>(41 968)</b>	<b>4 503 053</b>	<b>4 260 028</b>	<b>(32 898)</b>	<b>4 227 130</b>

**Notes to the consolidated financial statements** continued  
for the year ended 31 December 2021

**10. Restatement and representation of the financial results for the year ended 31 December 2020 continued** continued

The impact on the statement of financial position is as follows:

	Consolidated 2020			Consolidated 2019		
	Previously reported balance R'000	Restatement/Reclassification R'000	Restated Balance R'000	Previously reported balance R'000	Restatement/Reclassification R'000	Restated balance R'000
<b>EQUITY</b>						
Stated capital and consolidated shares	1 817 627		1 817 627	1 817 580		1 817 580
Treasury shares	(35 863)		(35 863)	(22 000)		(22 000)
BEE reserve	24 576		24 576	24 576		24 576
Employee share-based payment reserve	57 321		57 321	63 305		63 305
Hedging reserve	1 724		1 724	12 505		12 505
Retained earnings	503 061	(41 968)	461 093	674 342	(32 898)	641 444
<b>Total equity</b>	<b>2 368 446</b>	<b>(41 968)</b>	<b>2 326 478</b>	<b>2 570 308</b>	<b>(32 898)</b>	<b>2 537 410</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Lease liabilities	47 251		47 251	34 405		34 405
Deferred tax liability	2 070		2 070	16 990		16 990
Retirement benefit obligations	202 899		202 899	225 007		225 007
	252 220	–	252 220	276 402	–	276 402
<b>Current liabilities</b>						
Trade and other payables	1 114 788		1 114 788	1 005 121		1 005 121
Current borrowings	789 053		789 053	352 083		352 083
Lease liabilities	20 514		20 514	12 088		12 088
Income tax liability	–		–	–		–
Derivative financial liabilities	–		–	44 026		44 026
	1 924 355	–	1 924 355	1 413 318	–	1 413 318
<b>Total liabilities</b>	<b>2 176 575</b>	<b>–</b>	<b>2 176 575</b>	<b>1 689 720</b>	<b>–</b>	<b>1 689 720</b>
<b>Total equity and liabilities</b>	<b>4 545 021</b>	<b>(41 968)</b>	<b>4 503 053</b>	<b>4 260 028</b>	<b>(32 898)</b>	<b>4 227 130</b>

The impact on the statement of profit or loss is as follows:

	Consolidated 2020			Consolidated 2019		
	Previously reported balance R'000	Restatement/Reclassification R'000	Restated Balance R'000	Previously reported balance R'000	Restatement/Reclassification R'000	Restated balance R'000
<b>Revenue from contracts with customers</b>	<b>8 548 878</b>		<b>8 548 878</b>	10 708 581		10 708 581
Cost of goods sold	(7 843 237)	206 898	(7 636 339)	(9 929 196)	208 824	(9 720 372)
Cost of services provided	(20 730)		(20 730)	(76 066)		(76 066)
<b>Gross profit</b>	<b>684 911</b>	<b>206 898</b>	<b>891 809</b>	703 319	208 824	912 143
Selling, marketing and distribution expenses	(469 749)		(469 749)	(520 020)		(520 020)
Administrative and other expenses	(205 179)	(215 968)	(421 147)	(290 670)	(241 722)	(532 392)
Reversal/(raised) Impairment of loans in joint ventures	(3 724)		(3 724)	–		–
Impairment losses raised/(reversed) on financial assets	(5 068)		(5 068)	(1 906)		(1 906)
Impairment of property, plant and equipment and intangible assets	(8 432)		(8 432)	(1 302 898)		(1 302 898)
Gains and losses on financial instruments related to trading activities	(70 242)		(70 242)	79 571		79 571
Other gains and (losses)	4 993		4 993	(88 800)		(88 800)
<b>Operating loss</b>	<b>(72 490)</b>	<b>(9 070)</b>	<b>(81 560)</b>	(1 421 404)	(32 898)	(1 454 302)
Interest income	9 071		9 071	8 021		8 021
Interest expense	(45 965)		(45 965)	(56 513)		(56 513)
<b>Loss before share of joint venture profits</b>	<b>(109 384)</b>	<b>(9 070)</b>	<b>(118 454)</b>	(1 469 896)	(32 898)	(1 502 794)
Share of net profit/(loss) of joint ventures accounted for using the equity method	(1 565)		(1 565)	–		–
<b>(Loss) before tax</b>	<b>(110 949)</b>	<b>(9 070)</b>	<b>(120 019)</b>	(1 469 896)	(32 898)	(1 502 794)
Taxation	(119 490)		(119 490)	265 355		265 355
<b>Net loss for the year attributable to equity holders of the company</b>	<b>(230 439)</b>	<b>(9 070)</b>	<b>(239 509)</b>	(1 204 541)	(32 898)	(1 237 439)

The impact on the statement on previously reported earnings and headline earnings per share is as follows:

		Consolidated 2020			Consolidated 2019		
		Previously reported	Restatement/Reclassification	Restated	Previously reported	Restatement/Reclassification	Restated
Loss per share	cents	(75)	(3)	(78)	(380)	(10)	(390)
Headline loss	R'000	(210 809)	(9 070)	(219 879)	(240 004)	(32 898)	(272 901)
Headline loss per share	cents	(68)	(3)	(71)	(76)	(10)	(86)

The impact on the statement of cashflows is as follows:

There is no impact on the statement of cashflows as the restatement is within cash generated from operations.

## Company statement of financial position

as at 31 December 2021

	Notes	2021 R'000	2020 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	4.1	2 618 865	2 600 296
Deferred tax asset	6.1	14 633	14 965
		<b>2 633 498</b>	2 615 261
<b>Current assets</b>			
Trade and other receivables	6.4	–	24 360
Income tax asset		–	1 661
		–	26 021
<b>Total assets</b>		<b>2 633 498</b>	2 641 282
<b>EQUITY</b>			
Stated capital	3.1	1 877 644	1 877 597
BEE reserve		34 163	30 239
Employee share-based payment reserve		37 054	37 386
Retained Earnings		622 806	642 503
<b>Total equity</b>		<b>2 571 667</b>	2 587 725
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Post-retirement medical aid benefits	5.1	52 262	53 446
		<b>52 262</b>	53 446
<b>Current liabilities</b>			
Trade and other payables	6.5	9 569	111
Income tax liability		–	–
		<b>9 569</b>	111
<b>Total liabilities</b>		<b>61 831</b>	53 557
<b>Total equity and liabilities</b>		<b>2 633 498</b>	2 641 282

## Company statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
<b>Revenue from contracts with customers</b>			
Interest income	2.1.1	14 173	9 353
Administrative and other expenses	2.1.2	17	103 289
Administrative and other expenses	2.2	(33 932)	(20 271)
Net impairment losses on investments in subsidiaries	4.1	–	–
<b>Operating (loss)/profit before taxation</b>		<b>(19 742)</b>	92 371
Taxation	6.2	(226)	(27 772)
<b>Net (loss)/profit for the year attributable to equity holders of the company</b>		<b>(19 968)</b>	64 599
<b>Other comprehensive income for the year</b>			
Items that will not be reclassified to profit or loss:			
Remeasurement of post-retirement medical obligation	5.1	376	4 050
Income tax effect		(105)	(1 134)
<b>Total comprehensive (loss)/profit for the year attributable to equity holders of company</b>		<b>(19 697)</b>	67 515

## Company statement of changes in equity

for the year ended 31 December 2021

	Stated capital R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
<b>Balance at 31 December 2019</b>	1 877 597	63 308	20 000	549 066	2 509 971
Net profit for the year	–	–	–	64 599	64 599
Other total comprehensive income for the year after tax	–	–	–	2 916	2 916
Settlement of employee share incentives	–	–	10 239	–	10 239
Release of reserve upon vesting of A1 ordinary shares	–	(25 922)	–	25 922	–
<b>Balance at 31 December 2020</b>	1 877 597	37 386	30 239	642 503	2 587 725
Net (loss)/profit 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
Dividend paid	–	–	–	–	–
<b>Balance at 31 December 2021</b>	<b>1 877 644</b>	<b>37 054</b>	<b>34 163</b>	<b>622 806</b>	<b>2 571 667</b>

## Company cash flow statement

for the year ended 31 December 2021

	Notes	2021 R'000	2020 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated from operations	A	23 051	73 597
Income taxes refund/(paid)		1 697	(28 963)
Prior year income tax refund		–	1 699
Post-retirement medical aid benefits paid		(6 179)	(6 643)
Net cash inflow from operating activities		18 569	39 690
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Increase in investments in subsidiaries	4.1	(18 569)	(39 690)
Cash flows before financing activities ("free cash flow")		(18 569)	(39 690)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividends paid		–	–
Net cash inflow/(outflow) from financing activities		–	–
<b>Net (decrease)/increase in cash and cash equivalents</b>		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–
<b>A: CASH GENERATED BEFORE WORKING CAPITAL CHANGES</b>			
<b>Operating (loss)/profit before taxation</b>		(19 742)	92 371
Adjusted for:			
Post-retirement medical aid actual expense	5.1	5 371	5 660
Value of employee services received under share schemes		3 592	–
<b>Cash (used)/generated before working capital changes</b>		(10 779)	98 031
Changes in working capital	B	33 830	(24 434)
<b>Cash generated from operations</b>		23 051	73 597
<b>B: CHANGES IN WORKING CAPITAL</b>			
Decrease/(increase) in trade and other receivables		24 360	(24 385)
Increase/(decrease) in trade and other payables		9 470	(49)
		33 830	(24 434)

Cashflow movement 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 2021

### 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 New accounting standards

New and revised standards and interpretations have been highlighted in note 1.2 to the Group financial statements. These standards and interpretations have had an immaterial impact on the company financial statements.

New and revised IFRS in issue but not yet effective have been highlighted in note 1.2 of the Group financial statements. These standards and interpretations are expected to have an immaterial impact on the company financial statements.

#### 1.3 Accounting for assets and liabilities

##### Recognition of assets and liabilities

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

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

##### Derecognition of assets and liabilities

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

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

#### 1.4 Judgements made by management

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

##### 1.4.1 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.

##### 1.4.2 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.

##### 1.4.3 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.

#### 1.5 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that they are non-adjusting events as determined in accordance with IAS 10, 'Events after the reporting period'. Details of material non-adjusting events are provided below.

On 23 February 2022, the South African Minister of Finance Enoch Godongwana, confirmed that the corporate tax rate reductions announced in the 2021 budget speech would become effective for companies from the year of assessment ending on or after 31 March 2023. In respect of the Hulamin Group, the applicable tax rate will change from 28% to 27% with effect from 01 January 2023. On the basis that deferred tax is forward looking, for the financial year ending 31 December 2022, the rate applicable for deferred tax will be the reduced rate of 27%. In respect of the financial year ending 31 December 2022, the rate applicable for current tax will differ from the rate applicable for deferred tax.

These have been highlighted in note 1.9 of the group financial statements.

### 2. Performance

#### 2.1 Measures used to assess performance

##### 2.1.1 Revenue from contracts with customers

Revenue of the company comprises management fees and agency fees earned from related companies within the group. Management and agency fees are earned from Hulamin Operations Proprietary Limited.

Management fees are earned on expenditure incurred such as consulting fees, directors' fees, etc. Revenue is measured at the 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

	2021 R'000	2020 R'000
Post-employment medical aid costs	4 699	4 786
Other costs	23 338	8 828
	<b>28 037</b>	13 614
Directors' emoluments		
Non-executives		
Fees	5 895	6 657
	<b>5 895</b>	6 657
	<b>33 932</b>	20 271

## Notes to the company financial statements continued

for the year ended 31 December 2021

### 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 (2020: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2020: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2020: 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.

	2021 R'000	2020 R'000
<b>Ordinary shares</b>		
<b>Ordinary shares</b>		
Opening balance: 324 318 436 ordinary shares of no par value (2020: 324 318 436 ordinary shares of no par value)	1 817 627	1 817 627
Issued during the year: Nil (2019: Nil)	–	–
Conversion of 4 721 600 A1 ordinary shares to ordinary shares during the year (2020: 4 721 600)		
<b>A ordinary shares</b>		
Opening balance and closing balance: 26 755 733 A2 shares and 4 721 600 A3 shares of no par value (2020: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	59 656	59 609
<b>B ordinary shares</b>		
Opening balance and closing balance: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2020: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	361	361
	<b>1 877 644</b>	1 877 597

#### 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 2021, 6 801 529 unissued ordinary shares (2020: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

#### Issued shares movement schedule

	2021 No.	2020 No.
<b>Ordinary shares:</b>		
Opening balance	324 318 436	319 596 836
A1 shares converted to ordinary share capital	–	4 721 600
<b>Closing balance</b>	<b>324 318 436</b>	324 318 436
<b>A ordinary shares:</b>		
Opening balance	26 755 733	31 477 333
A3 shares issued	4 721 600	–
Converted to ordinary issued shares	–	(4721 600)
<b>Closing balance</b>	<b>31 477 333</b>	26 755 733
<b>B ordinary shares:</b>		
Opening balance	36 072 000	36 072 000
Movement	–	–
<b>Closing balance</b>	<b>36 072 000</b>	36 072 000

#### 3.2 Dividends per share

Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2021 R'000	2020 R'000
Dividends per share declared		
Final dividend: Nil cents on 324 318 436 ordinary shares (2020: Nil cents on 324 318 436 ordinary shares)	–	–
Final dividend: Nil cent on 4 721 600 A3 ordinary shares (2020: Nil cents on 4 721 600 A3 ordinary shares)	–	–
<b>Total</b>	<b>–</b>	–

### 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.

	2021 R'000	2020 R'000
Investment in shares in subsidiaries	1 645 738	1 641 814
Loan to subsidiary	973 127	958 482
	<b>2 618 865</b>	2 600 296

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares issued by Hulamin Operations Proprietary Limited.

No impairment (2020: 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.



## Notes to the company financial statements continued

for the year ended 31 December 2021

### 4. Investments: Investments in subsidiaries continued

#### 4.1 Investment in subsidiaries continued

The effective interest rate on the loan to subsidiary for the year was 0% variable interest (2020: 10.12%). 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 2021	Percentage equity interest 2020	Principal activities
<b>Subsidiaries</b>				
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
<b>Joint venture</b>				
Isizinda Aluminium (Pty) Ltd (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.

### 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.

	2021 R'000	2020 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	52 262	53 446
Liability in the statement of financial position	52 262	53 446
The liability can be reconciled as follows:		
Balance at beginning of year	53 446	58 479
Total expense accrued	5 371	5 660
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	2 187	(2 370)
Actuarial gains arising from changes in experience adjustments	(2 563)	(1 680)
Benefit payments	(6 179)	(6 643)
Balance at end of year	52 262	53 446
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	5 371	5 660
	5 371	5 660
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	2 187	(2 370)
Actuarial gains arising from experience adjustments	(2 563)	(1 680)

#### 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:

		2021	2020
Discount rate	(%)	10.70	11.20
Future company subsidy rate – in service	(%)	5.90	6.70
Future company subsidy rate – pensioners	(%)	7.65	7.45

#### Sensitivity of future medical inflation rate

	2021 R'000	2020 R'000
1% increase in future medical inflation rate – effect on the aggregate of the service and interest costs	240	401
1% increase in future medical inflation rate – effect on the obligation	3 506	3 574
1% decrease in future medical inflation rate – effect on the aggregate of the service and interest costs	(473)	(360)
1% decrease in future medical inflation rate – effect on the obligation	(3 156)	(3 219)
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 2020 is 7.2 years (2019: 7.2 years).		
Estimated benefits payable by the company in the next financial year	6 652	6 850

### 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 2021 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.

## Notes to the company financial statements continued

for the year ended 31 December 2021

### 6. Other: Other detailed disclosure requirements continued

#### 6.1 Deferred tax continued

The group's unrecognised assessed loss as at 31 December 2021 is R1.5 million.

	2021 R'000	2020 R'000
Deferred tax asset		
At beginning of year	14 965	16 375
Deferred tax in the statement of profit or loss:		
Current year charge	(226)	(276)
Deferred tax credit on other comprehensive items	(106)	(1 134)
At end of year	14 633	14 965
Comprising:		
Post-retirement medical aid provision	14 633	14 965
Assessed loss	–	–
	14 633	14 965
Deferred tax asset to be recovered after more than 12 months	14 633	14 965
Deferred tax asset to be recovered within 12 months	–	–
	14 633	14 965

#### 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.

	2021 R'000	2020 R'000
South African normal taxation:		
Current		
Current year	–	27 302
Prior year under/(over) provision	–	195
Deferred		
Current year	226	276
	226	27 772
<b>Tax rate reconciliation</b>		
Normal rate of taxation	% 28.0	28.0
Adjusted for:		
Allowances not included in the statement of profit and loss	% –	0.2
Deferred tax-reduction in deferred tax asset not recognised	(7.8)	–
Expenses not deductible for tax purposes	% (21.4)	1.9
Effective rate of taxation	(1.1)	30.1

#### 6.3 Related party transactions

The related parties to the company include all transactions between the company and its subsidiary Hulam Operations Pty Ltd.

The nature of the related party transactions with Hulam Operations Pty Ltd, in the ordinary course of business, are reflected below:

	2021 R'000	2020 R'000
Interest received from subsidiary	–	103 277
Agency fees received from subsidiary	104	104
Management fees received from subsidiary	14 069	9 249
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:		

#### 6.4 Trade and other receivables

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

	2021 R'000	2020 R'000
<b>Financial assets</b>		
Sundry receivables	–	24 295
<b>Non-financial assets</b>		
Value-added taxation receivable	–	65
	–	24 360

#### 6.5 Trade and other payables

Included in trade and other payables is accruals for consultant costs R6m and VAT liability R3m. Included in prior year was VAT liability amounting to R111k.

### 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

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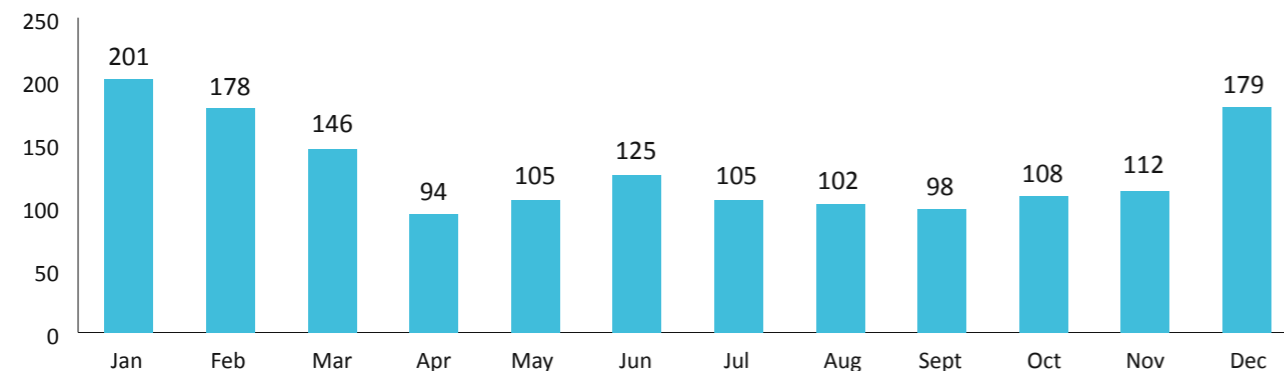
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## Analysis of shareholders

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
<b>Ordinary shareholders</b>				
1 – 1 000	6 570	72,25	1 031 375	0,32
1 001 – 10 000	1 577	17,34	6 225 842	1,92
10 001 – 100 000	781	8,59	25 951 032	8,00
100 001 – 1 000 000	131	1,44	42 529 161	13,11
Over 1 000 000 shares	35	0,380	248 581 026	76,65
	<b>9 094</b>	<b>100,0</b>	<b>324 318 436</b>	<b>100,0</b>
<b>Public/non-public shareholders</b>				
Non-public shareholders	7	0,08	111 520 179	32,00
Directors of the company	4	0,04	1 108 844	0,34
Extended family of Directors	0	N/A	-	N/A
Strategic holding (more than 10%) Treasury Stock	1	0,01	94 587 954	29,17
Treasury Stock	2	0,02	15 823 381	2,49
Public shareholders	9 087	99,92	212 798 257	68,00
Total listed shareholders	9 094	100,00	324 318 436	100,00
<b>Beneficial shareholders holding more than 3% of share capital</b>				
Industrial Development Corporation			94 587 954	29,17
Biccard, JL			31 894 766	9,83
Ninety One			16 193 301	4,99
Hulamin Operations (Pty Ltd)			15 822 345	4,88
Kagiso Group			8 590 549	2,65
Total			167 088 915	51,52
<b>A and B ordinary shareholders (refer to note 3.4 in the annual financial statements)</b>				
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 2021 (cents per share)



## Shareholders' diary

	Diary 2021	Diary 2022	
Financial year-end	<b>31 December</b>	31 December	
Annual general meeting	<b>May</b>	May	
Financial reports	Interim results	<b>August</b>	
	Annual results and final dividend declaration	<b>March</b>	
	Annual financial statements	<b>March</b>	
Dividend	Final	Declared	<b>March</b>
		Paid	<b>April</b>

## Notice of annual general meeting

### Hulamin Limited

Incorporated in the Republic of South Africa  
 Registration number: 1940/013924/06  
 Share code: HLM  
 ISIN: ZAE00096210  
 ("Hulamin" or "the Company")

Notice is hereby given that the 82nd annual general meeting of shareholders will be held entirely via a remote interactive electronic platform Microsoft Teams on Wednesday, 25 May 2022 at 15:00 ("Annual General Meeting"), to conduct the business set out below and to consider and, if deemed fit, adopt, with or without modification, the ordinary and special resolutions set out in this notice. Hulamin will be assisted by Computershare Investor Services Proprietary Limited ("the Company's Transfer Secretaries") who will also act as scrutineers.

### Salient dates

The following dates apply to the Annual General Meeting:

The Record Date for purposes of determining which shareholders are entitled to receive this notice is Thursday, 14 April 2022. The Last Day to Trade in order to be eligible to participate and vote at the Annual General Meeting is Tuesday, 10 May 2022.

The Record Date for shareholders to be recorded in the securities register of Hulamin in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 13 May 2022.

Shareholders to lodge Proxy Forms by Monday, 23 May 2022 at 15:00.

Shareholders or their duly authorised proxies who wish to participate in the Annual General Meeting, must register to do so by lodging a completed Electronic Participation Application Form by Friday, 20 May 2022 at 15:00.

### Annual financial statements

The annual financial statements of the Company for the year ended 31 December 2021, including the reports of the directors, the independent auditors and the Audit Committee will be presented at the meeting. The 2021 annual financial statements are set out on pages 73 to 161 of this report.

### Proposed ordinary resolutions

- To authorise the directors to appoint Ernst & Young as the independent registered auditors of the Company who will undertake the audit of the Company for the ensuing year, with Mr Sifiso Sithabe as the individual designated auditor of the Company. The group Audit Committee has recommended their appointment as independent registered auditors of the Company.
- To re-elect the following directors who retire in accordance with Article 33.11 of the Company's Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually. The profiles of the directors eligible for re-election appear below.

#### 2.1 Charles Alexander Boles (52) – Independent Non-Executive Director

- Chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Chairman's Committee
- CA (SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA (Cum Laude)

Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Hulamin board on 1 October 2016.

#### 2.2 Meganathan Gounder (46) – Executive Director

- Chief Financial Officer
- CA(SA)

Mark is an experienced CA (SA) finance professional with over 25 years' experience. Mark has held various senior finance roles within the Illovo Sugar Group which have involved extensive operational experience across Africa, as well as exposure to Europe, Asia and North America. Mark was appointed to the Hulamin Limited Board and Chief Financial Officer in April 2021.

#### 2.3 Robert Lennart Larson (66) – Independent Non-Executive Director

- Member of the Risk Committee
- BA; MS

During a career that spanned nearly 40 years, Bob most recently served as CEO of Novipax LLC, the leading producer of absorbent pads and expanded polystyrene foam trays in North America. In addition to his role as CEO of Novipax, Bob served as an Operating Partner of Atlas Holdings LLC and was instrumental in the private equity firm's acquisition of Alcoa's aluminium rolled products business in Europe in 2014. Prior to joining Novipax, Bob spent nearly six years with The Rank Group Limited, a private investment firm based in New Zealand. Before Rank, Bob enjoyed a successful career with Alcoa.

## Annual general meeting continued

### 2.4 Thabo Patrick Leeuw (58) – Independent Non-Executive Chairman

- Member of the Risk Committee; member of the Remuneration and Nomination Committee and Chairman of the Chairman's Committee
- Chief Executive Officer: Thesele Group
- BCom (Accounting); BCompt (Hons); Management Advancement Programme

Thabo is the chief executive and founder shareholder of Thesele. He served articles at Deloitte & Touche, and has held several financial management positions and also worked as investment banker with Cazenove plc. Thabo is a non-executive director of M&G Investments South Africa (previously Prudential Investment Managers SA), a non-executive director of Rhodes Food Group and also serves on the Board of ATTACQ. He was appointed to the HulamIn board in 2007.

### 2.5 Geoffrey Harold Melrose Watson (70) – Independent Non-Executive Director

- Member of the Remuneration and Nomination Committee; the Chairman of the Risk Committee and a member of the Chairman's Committee
- Director of companies
- B.Sc (Agr) University of Sydney; B.Econ University of New England; Graduate Australian Institute of Company Directors

Geoff has held numerous senior executive positions in the aluminium and steel industries. Geoff retired in 2016 as Director Asian Sales and China business development of United Company RUSAL, who is the world's largest producer of aluminium. He was an executive associate of Seema International in 2010 and CEO of Steelforce Australia in 2009 and held numerous positions at Alcoa Rolled Products from 1976 to 2008 which included Vice President China, General Manager Alcoa Bohai, China, Director of Operations, Alcoa Kaal, Australia and General Manager Asian Business Development. He was appointed to the HulamIn board with effect from 1 August 2011

## 3. Appointment of Audit Committee members

To elect the following independent non-executive directors as members of the group Audit Committee and to appoint Mr N Maharajh as Chairman of the group Audit Committee. Motions for election will be moved individually.

### 3.1 Mr N Maharajh (Chairman) – Independent Non-Executive Director

### 3.2 Mr CA Boles – Independent Non-Executive Director (subject to the adoption of 2.1 above)

### 3.3 Dr B Mehlomakulu – Independent Non-Executive Director

#### Naran Maharajh (55)

- Chairman of the Audit Committee; member of the Risk Committee and a member of the Chairman's Committee
- Director of BCA Inc.
- CA(SA)

Naran completed his training with PWC. He was then appointed as a lecturer in the Department of Accountancy at the University of KwaZulu-Natal. He was a partner at KPMG. In 2007 he left KPMG to set up BCA Inc- a firm specialising in providing audit, accounting and business advisory services. He currently serves as director of Comair Ltd. He has previously served as non-executive director of Mercedes-Benz South Africa Ltd and Masonite Africa Ltd. He was appointed to the HulamIn board on 1 September 2016.

#### Dr Bonakele Mehlomakulu (49)

- Member of the Risk Committee, Audit Committee and Social, Ethics and Sustainability Committee
- BSc (Chemistry and Applied Chemistry); BSc (Hons) (Chemistry); MSc (Organic Chemistry); PhD (Chemical Engineering)

Dr Boni Mehlomakulu holds a PhD in Chemical Engineering from the University of Cape Town. Her career started at Sasol before joining the Department of Science and Technology occupying various management roles. Her recent executive role was a Chief Executive Officer of the South African Bureau of Standards, the position she held for nine years. In addition to her non-executive directorship at HulamIn Limited she also serves as a non-executive director at Sappi Limited and Yokogawa (Pty) Ltd. Her past directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa, Eskom Holdings SOC Limited and the Technology Innovation Agency, as well as having served as the Deputy Chair of Unisa Council and a country representative on the Council of International Standards Organisation (ISO, Geneva).

## Proposed special resolutions

### 4. Approval of non-executive directors' fees

Directors' fees were approved at the annual general meeting held on 27 May 2021 and are applicable for the 12-month period ended 31 July 2022.

The Board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2022, be as set out below.

#### Special resolution number 1

"Resolved as a special resolution that the proposed fees, set out below, payable to non-executive directors for their services as directors on the Board and on Board Committees and as invitees to Board committees, when invited by the Chairman of the Board Committee to attend a meeting as an invitee, for the 12-month period commencing 1 August 2022, be and are hereby approved."

Role	Present fees to 31 July 2022		Proposed fees from 1 August 2022	
	Annual Retainer Rand	Annual Attendance Rand	Annual Retainer Rand	Annual Attendance Rand
Chairman of the Board	491 730	42 150	<b>516 320</b>	<b>44 260</b>
Member of the Board	179 680	15 400	<b>188 660</b>	<b>16 170</b>
Chairman of the audit committee	129 320	18 470	<b>135 790</b>	<b>19 390</b>
Member of the audit committee	75 140	10 740	<b>78 900</b>	<b>11 280</b>
Invitee of the audit committee		10 740		<b>11 280</b>
Chairman of the risk committee	89 290	12 750	<b>93 750</b>	<b>13 390</b>
Member of the risk committee	49 010	7 000	<b>51 460</b>	<b>7 350</b>
Invitee of the risk committee		7 000		<b>7 350</b>
Chairman of the remuneration and nomination committee	89 290	12 750	<b>93 750</b>	<b>13 390</b>
Member of the remuneration and nomination committee	49 010	7 000	<b>51 460</b>	<b>7 350</b>
Invitee of the remuneration and nomination committee		7 000		<b>7 350</b>
Chairman of the social, ethics and sustainability committee	89 290	12 750	<b>93 750</b>	<b>13 390</b>
Member of the social, ethics and sustainability committee	49 010	7 000	<b>51 460</b>	<b>7 350</b>
Invitee of the social, ethics and sustainability committee		7 000		<b>7 350</b>
Chairman of an <i>ad hoc</i> Board committee		12 750		<b>13 390</b>
Member of an <i>ad hoc</i> Board committee		7 000		<b>7 350</b>
Invitee of an <i>ad hoc</i> Board committee		7 000		<b>7 350</b>
Fees for international NEDs	(€) 31 570	2 700	<b>31 570</b>	<b>2 700</b>
Fees for international NEDs	(\$)	31 950	<b>31 950</b>	<b>2 740</b>

As regards the attendance fee, the Board typically holds five meetings a year, four Audit Committee and Remuneration and Nomination Committee meetings are held, three Risk Committee and Social, Ethics and Sustainability Committee meetings are held during the year. Shareholders' approval is also requested to remunerate non-executive directors who participate in a specially constituted ad hoc Board sub-committee meeting as detailed in the table above, and to remunerate non-executive directors who attend a Board sub-committee meeting as an invitee at the request of the Chairman of the Board sub-committee.

### 5. Financial assistance

In terms of section 45 of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), the Board may authorise the Company to provide financial assistance to a related or inter-related company or corporation, provided such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements as set out in the Companies Act are met, amongst others, that the Company meets the solvency and liquidity test. The Board seeks such approval from shareholders in order to provide financial assistance to companies or corporations which are related or inter-related to the Company from time to time.

#### Special resolution number 2

"Resolved as a special resolution, subject to the provisions of section 45(2) of the Companies Act, that the provision of any financial assistance by the Company to any company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

## Annual general meeting continued

### 6. General authority to repurchase shares in the company

The reason for Special Resolution Number 3 is to grant the Board a general authority in terms of section 48(8) of the Companies Act and the JSE Listings Requirements, up to and including the date of the following annual general meeting of the Company, to approve the acquisition by the Company of its own shares, or to permit a subsidiary of the Company or any trust controlled by the Company to acquire shares in the Company. The directors require this general authority in order to facilitate the repurchase of the Company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the Company and its shareholders.

#### Special resolution number 3

"Resolved as a special resolution that the board of directors is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted by the Company's Memorandum of Incorporation, to approve the purchase by the Company of its ordinary shares, and/or the purchase of ordinary shares in the Company by any of its subsidiaries or any trust controlled by the Company, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act and the JSE Listings Requirements, when applicable, and provided that:

- the general repurchase by the Company of ordinary shares in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the Company's issued ordinary share capital as at the date of the grant of this general authority;
- any such repurchase of securities shall be implemented through the order book operated by the JSE trading system and without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the Company will only appoint one agent at any point in time to affect any repurchase(s) on its behalf;
- general repurchases by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the repurchase of such ordinary shares is effected by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company;
- the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may not repurchase securities during a prohibited period, as detailed in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and which has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- SENS and press announcements will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary and/or any trust controlled by the Company has in terms of this general authority, repurchased ordinary shares constituting on a cumulative basis 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter."

#### 6.1 Statement of directors

Shares repurchased by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may either be held in treasury or cancelled and restored to the status of authorised and unissued shares in the Company. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors have considered the effect of the maximum repurchase and are of the opinion that, for a period of 12 months after the date of the repurchase:

- the Company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the Company and the group will be in excess of the liabilities of the Company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the Company and the group will be adequate for ordinary business purposes;
- the working capital of the Company and the group will be adequate for ordinary business purposes; and
- a resolution by the Board has been passed authorising the repurchase and confirming that the Company and its subsidiaries have passed the solvency and liquidity test as defined in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group.

#### 6.2 Material changes

Other than prior year restatement disclosed in note 10 of the annual financial statements, and any further the facts and developments reported on in the annual financial statements, there have been no material changes in the financial or trading position of the Company and its subsidiaries between 31 December 2021 (being the last financial year end) and the date of this notice.

### 6.3 Responsibility statement

The directors, whose names appear on the corporate information page of this notice, jointly and severally accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Companies Act and the JSE Listings Requirements.

### 6.4 Additional disclosures in terms of the JSE Listings Requirements

Other disclosures in terms of the JSE Listings Requirements are contained elsewhere in the integrated annual report as follows:

- Major shareholders of the Company page 163
- Share capital of the Company pages 74 and 156

### 7. Remuneration policy – non-binding advisory vote

The King IV Report on Corporate Governance and the JSE Limited Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the Annual General Meeting. In accordance with the provisions of the JSE Listings Requirements, the Company shall give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

"Resolved that the Company's remuneration policy for financial year-ended 31 December 2021, as contained in the remuneration report as set out on page 62 of the Integrated Annual Report, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

### 8. Implementation report – non-binding advisory vote

"Resolved that the Company's implementation report, as contained in the remuneration report as set out on pages 61 to 70 of the Integrated Annual Report, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

### 9. Other matters

- Report back from the Social, Ethics and Sustainability Committee in terms of Regulation 43(5)(c) of the Companies Act on social and ethics matters pertaining to the Company.
- To transact such other business as may be transacted at an annual general meeting, including any matters raised by shareholders, with or without advance notice to the company per section 61(8)(d) of the Companies Act.

### 10. Electronic participation arrangements

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the COVID-19 pandemic, the Board has decided that the Annual General Meeting will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the Annual General Meeting are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 175 and email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to Hulamin at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Friday, 20 May 2022.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the Annual General Meeting.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the Annual General Meeting. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the Annual General Meeting.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the Annual General Meeting are requested by no later than 14:55 on Wednesday, 25 May 2022 to join the meeting by clicking on the "Join Microsoft Teams Meeting" link to be provided by Hulamin's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the Annual General Meeting. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the Annual General Meeting.

## Annual general meeting continued

### Voting and proxies

For an ordinary resolution to be approved by the shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution. For a special resolution to be approved by the shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

Voting will be via a poll; every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

A shareholder entitled to participate and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to electronically participate, speak and vote in his/her stead. A proxy need not be a shareholder of the Company.

The electronic platform (Microsoft Teams) to be utilised to host the Annual General Meeting does not provide for electronic voting during the meeting.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General Meeting, by completing the Form of Proxy (found on page 83) and lodging this form with the Company's Transfer Secretaries by no later than 15:00 on Monday, 23 May 2022 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the Annual General Meeting.

Shareholders who indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

### Dematerialised shareholders without 'own name' registration

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the Annual General Meeting, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the Annual General Meeting, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the Annual General Meeting in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

### Certificated shareholders and dematerialised shareholders with 'own name' registration

Those Certificated Shareholders and Dematerialised Shareholders with 'own name' registration, who wish to participate in the Annual General Meeting (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

### Questions

Shareholders are encouraged to submit via email any questions in advance of the Annual General Meeting to the Company Secretary at secretarial@hulamin.co.za. These questions will be addressed at the Annual General Meeting and will be responded to via email thereafter.

#### Company Secretary

Pietermaritzburg

#### Registered office

Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal

#### Transfer Secretaries

Computershare Investor Services Proprietary Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196 (Private Bag X9000, Saxonwold, 2132)

### The Chairman of the Social, Ethics and Sustainability Committee feedback report

The Chairman of the Social, Ethics and Sustainability Committee, Mr VN Khumalo, advised that the following, *inter alia*, were discussed at the Social, Ethics and Sustainability Committee meetings held during 2021.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act, King IV Code of Corporate Governance and the annual workplan
- Strategy on how Hulamin will achieve its transformation, social and ethics goals
- Employment equity targets and the progress made in achieving same
- Hulamin's BEE scorecard report and the impact of the new B-BBEE codes on Hulamin's score
- Environmental sustainability performance and the underlying Resource Efficiency performance
- Hulamin's current carbon footprint and the strategies to reduce this in line with commitments made to Customers and the Science-Based Target for GHG reduction.
- The recycling content of our products and strategies for improvement
- Report on disputes and stakeholder engagement issues
- Report on Hulamin's contribution to the greater Pietermaritzburg area and Hulamin's granting of sponsorships, donations and charitable giving
- Report on the educational development of employees
- Report on labour regulatory compliance
- Review of safety, health and environmental performance and policies
- Assurance on the implementation of Hulamin's compliance policies in customer dealings
- Review of the following codes and policies:
  - » Stakeholder engagement policy
  - » Code of ethics incorporating code of conduct and ethics pertaining to the procurement staff
  - » Code of conduct for suppliers and service provider
  - » Corporate compliance policy
  - » Whistle blowing policy
  - » Crimes involving dishonesty
  - » Conflict of interest and gifts policy for employees.
- Noting the fraud policy and fraud prevention strategy approved by the Audit Committee.
- Risk Oversight (The committee is an integral component of the risk management process and specifically the committee shall oversee the risk management), activities relative to:
  - » B-BBEE, Social and economic development, Good corporate citizenship, Environmental Management, Environmental Sustainability, Health and public safety, Consumer Relationships, Labour and employment, Ethics and Stakeholders (reputational risk)

In addition, the committee, whose terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the group.
2. The group complies with the Employment Equity and Black Economic Empowerment Acts. Specific targets have been set for the company to increase its levels of compliance with these Acts over the short- to medium-term.
3. The group complies with its Code of Ethics. The Code of Ethics of the group requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the Board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

# Form of proxy



**HULAMIN**  
Think future. Think aluminium.

## Hulamin Limited

Incorporated in the Republic of South Africa

Registration number: 1940/013924/06

Share code: HLM

ISIN: ZAE000096210

("Hulamin" or "the Company")

**Note:** All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Certificated shareholders and/or dematerialised shareholders with "own name" registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

The Board requests that completed forms of proxy are received at the office of the company's Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (Private Bag x9000, Saxonwold, 2132), or via email to proxy@computershare.co.za by 15:00 on Monday, 23 May 2022. Any forms of proxy not lodged by this time may still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

A shareholder entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead. A proxy need not be a shareholder of the company.

I/We \_\_\_\_\_ (name in block letters)

Of \_\_\_\_\_ (address in block letters)

Contactable number \_\_\_\_\_ (telephone number)

Email address \_\_\_\_\_

being the holder/holders of \_\_\_\_\_ ordinary shares in Hulamin do hereby appoint

1. \_\_\_\_\_ of \_\_\_\_\_ (or failing him/her)

2. \_\_\_\_\_ of \_\_\_\_\_ (or failing him/her)

the Chairman of the annual general meeting, as my/our proxy to attend and speak and to vote for me/us at the annual general meeting of the company to be held at 15:00 on Wednesday, 25 May 2022, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

Resolution	For	Against	Abstain
1. Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor			
2. Re-election of retiring directors:			
2.1 CA Boles as an Independent non-executive director			
2.2 M Gounder as an Executive Director			
2.3 RL Larson as an Independent non-executive director			
2.4 TP Leeuw as an Independent non-executive director			
2.5 GHM Watson as an Independent non-executive director			
3. Appointment of group Audit Committee members and N Maharajh as Chairman of the group Audit Committee:			
3.1 N Maharajh as Chairman			
3.2 CA Boles			
3.3 Dr B Mehloakulu			
4. Special resolution number 1: Approval of non-executive directors' fees			
5. Special resolution number 2: Provision of financial assistance			
6. Special resolution number 3: General repurchase of shares			
8. Non-binding advisory vote – Remuneration policy			
9. Non-binding advisory vote – Implementation report			

Signed at \_\_\_\_\_ on this \_\_\_\_\_ day of \_\_\_\_\_ 2022

Signature \_\_\_\_\_ Name \_\_\_\_\_

Assisted by me (where applicable) \_\_\_\_\_ Capacity \_\_\_\_\_



## Notes to the form of proxy

- Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
- Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy.
- Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
- A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
- The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the Chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

### Summary in terms of section 58(8)(b)(i) of the Companies Act, 2008, as amended

- Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:
- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

## Application form for electronic participation at the annual general meeting

### Hulamin Limited

Incorporated in the Republic of South Africa  
 Registration number: 1940/013924/06  
 Share code: HLM  
 ISIN: ZAE000096210  
 ("Hulamin" or "the Company")

### Annual general meeting – 25 May 2022 ("AGM")

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

### Instructions

Shareholders or their proxies, have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's Transfer Secretaries at proxy@computershare.co.za and to the Company at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Friday, 20 May 2022.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a Participant") to enable the Company to forward the Participant a Microsoft Teams meeting invitation required to access the AGM.

Hulamin will send each Participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams Meeting" on 25 May 2022 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

### Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy (found at page 173) and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants who indicate in this form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and/or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

### Information required for participation by electronic communication at the AGM

Full name of shareholder:
Identity or registration number of shareholder:
Full name of authorised representative (if applicable):
Identity number of authorised representative:
Email address: *Note: this email address will be used by the Company to share the Microsoft Teams invitation required to access the AGM electronically
Cell phone number:
Telephone number, including dialing codes:
*Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 173.
Indicate (by marking with an 'X') whether: <input type="checkbox"/> votes will be submitted by proxy in advance of the AGM (in which case, please enclose the duly completed proxy form with this form); or <input type="checkbox"/> the Participant will not be submitting votes by proxy in advance of the AGM and wishes to cast votes during the AGM. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.
By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Hulamin's AGM.
Signed at _____ on _____ 2022
Signed:

## Application form for electronic participation at the annual general meeting continued

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM, a copy of which proxy form follows Annexure A of the AGM notice.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms

## Corporate information

### Hulamin Limited

(Incorporated in the Republic of South Africa)  
Registration number: 1940/013924/06  
Share code: HLM  
ISIN: ZAE000096210  
Founded: 1940  
Listed: 2007  
Sector: Industrial Metals and Mining

### Business address and registered office

Moses Mabhida Road  
Pietermaritzburg  
3200

### Postal address

PO Box 74  
Pietermaritzburg  
3200

### Contact details

Telephone: +27 33 395 6911  
Facsimile: +27 33 394 6335  
Website: [www.hulamin.co.za](http://www.hulamin.co.za)  
Email: [hulamin@hulamin.co.za](mailto:hulamin@hulamin.co.za)

### Securities exchange listing

South Africa (Primary)  
JSE Limited

### Transfer secretaries

Computershare Investor Services Proprietary Limited  
Private bag X9000  
Saxonwold  
2132  
South Africa

### Auditors

Ernst & Young Inc.  
102 Rivonia Road,  
Sandton  
2146  
Private Bag X14, Sandton, 2146  
Practice number: 918288  
Telephone: +27 11 772 3000  
Facsimile: +27 11 772 4000  
Website: <http://www.ey.com>

### Sponsor

Questco Corporate Advisory Proprietary Limited  
Ground Floor, Block C  
Investment Place  
10th Road  
Hyde Park  
2196  
Telephone: +27 11 011 9200  
Email: [sponsor@questco.co.za](mailto:sponsor@questco.co.za)  
Website: [www.questco.co.za](http://www.questco.co.za)

### Directorate

#### Non-executive directors

CA Boles\*  
VN Khumalo  
RL Larson\*  
TP Leeuw, Chairman\*  
N Maharajh\*  
B Mehloakulu (Dr)\*  
SP Ngwenya  
GHM Watson\*  
GC Zondi (Alternate)

#### Executive directors

RG Jacob, Chief Executive Officer  
LM Farquharson, Acting Chief Financial Officer<sup>1</sup>  
M Gounder, Chief Financial Officer<sup>2</sup>  
\* Independent non-executive directors  
<sup>1</sup> Appointed Acting Chief Financial Officer for the period 1 November 2020 to 31 March 2021  
<sup>2</sup> Appointed Chief Financial Officer 1 April 2021

### Company Secretary

W Fitchat<sup>1</sup>  
MDS Ramoetlo<sup>2</sup>  
Email: [Sharon.Ramoetlo@hulamin.co.za](mailto:Sharon.Ramoetlo@hulamin.co.za)

<sup>1</sup> Retired as Company Secretary 30 April 2021.  
<sup>2</sup> Appointed as Company Secretary 1 May 2021.

### Corporate information and investor relations

BA Mngadi  
Email: [Ayanda.Mngadi@hulamin.co.za](mailto:Ayanda.Mngadi@hulamin.co.za)



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