

# GROUP BALANCE SHEET

as at 31 December 2014

|                                      | Notes | 2014<br>R'000    | 2013<br>R'000 |
|--------------------------------------|-------|------------------|---------------|
| <b>ASSETS</b>                        |       |                  |               |
| <b>Non-current assets</b>            |       |                  |               |
| Property, plant and equipment        | 3     | 2 697 148        | 2 515 125     |
| Intangible assets                    | 4     | 59 777           | 38 093        |
| Retirement benefit asset             | 25    | 138 854          | 161 468       |
| Deferred tax asset                   | 6     | 25 450           | 27 815        |
|                                      |       | <b>2 921 229</b> | 2 742 501     |
| <b>Current assets</b>                |       |                  |               |
| Inventories                          | 7     | 1 958 934        | 1 806 575     |
| Trade and other receivables          | 8     | 1 037 909        | 972 619       |
| Derivative financial assets          | 9     | 44 175           | 13 889        |
| Cash and cash equivalents            | 10    | 249 106          | 192 800       |
| Income tax asset                     |       | 2 808            | 1 488         |
| Asset held for sale                  | 5     | 55 217           | -             |
|                                      |       | <b>3 348 149</b> | 2 987 371     |
| <b>Total assets</b>                  |       | <b>6 269 378</b> | 5 729 872     |
| <b>EQUITY</b>                        |       |                  |               |
| Share capital and share premium      | 11    | 1 817 580        | 1 817 546     |
| BEE reserve                          | 31.6  | -                | 174 686       |
| Employee share-based payment reserve |       | 41 411           | 29 720        |
| Hedging reserve                      |       | 6 614            | (31 305)      |
| Retained earnings                    |       | 1 968 212        | 1 412 163     |
| <b>Total equity</b>                  |       | <b>3 833 817</b> | 3 402 810     |
| <b>LIABILITIES</b>                   |       |                  |               |
| <b>Non-current liabilities</b>       |       |                  |               |
| Deferred tax liability               | 12    | 477 702          | 405 311       |
| Retirement benefit obligations       | 13    | 236 369          | 225 826       |
|                                      |       | <b>714 071</b>   | 631 137       |
| <b>Current liabilities</b>           |       |                  |               |
| Trade and other payables             | 14    | 964 827          | 826 086       |
| Current borrowings                   | 15    | 686 144          | 804 482       |
| Derivative financial liabilities     | 9     | 70 519           | 65 357        |
|                                      |       | <b>1 721 490</b> | 1 695 925     |
| <b>Total liabilities</b>             |       | <b>2 435 561</b> | 2 327 062     |
| <b>Total equity and liabilities</b>  |       | <b>6 269 378</b> | 5 729 872     |

## GROUP INCOME STATEMENT

for the year ended 31 December 2014

|   | Notes   | 2014<br>R'000      | 2013<br>R'000 |
|---|---------|--------------------|---------------|
| <b>Revenue</b>  |         | <b>8 038 918</b>   | 7 560 007     |
| Cost of sales   | 17      | <b>(7 119 966)</b> | (6 914 691)   |
| <b>Gross profit</b>   |         | <b>918 952</b>     | 645 316       |
| Selling, marketing and distribution expenses  | 17      | <b>(403 104)</b>   | (390 328)     |
| Administrative and other expenses   | 17      | <b>(88 781)</b>    | (70 830)      |
| Impairment reversal/(charge)  | 18      | <b>43 405</b>      | (2 122 316)   |
| Other gains and losses  | 16      | <b>114 661</b>     | 132 787       |
| <b>Operating profit/(loss)</b>  |         | <b>585 133</b>     | (1 805 371)   |
| Interest income   | 19      | <b>2 453</b>       | 1 358         |
| Interest expense  | 19      | <b>(48 160)</b>    | (64 715)      |
| <b>Profit/(loss) before tax</b>   |         | <b>539 426</b>     | (1 868 728)   |
| Taxation  | 20      | <b>(154 498)</b>   | 523 769       |
| <b>Net profit/(loss) for the year attributable to equity holders of the company</b> |         | <b>384 928</b>     | (1 344 959)   |
| <b>Earnings/(loss) per share</b>  | 21      |                    |               |
| Basic   | (cents) | <b>120</b>         | (422)         |
| Diluted   | (cents) | <b>118</b>         | (417)         |

## GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2014

|   | 2014<br>R'000   | 2013<br>R'000 |
|---|-----------------|---------------|
| <b>Net profit/(loss) for the year attributable to equity holders of the company</b>                 | <b>384 928</b>  | (1 344 959)   |
| <b>Other comprehensive income/(loss) for the year</b>   | <b>28 037</b>   | (4 981)       |
| Items that may be reclassified subsequently to profit or loss                                       | <b>37 919</b>   | (22 407)      |
| Cash flow hedges transferred to income statement  | <b>43 480</b>   | 12 359        |
| Cash flow hedges created  | <b>9 186</b>    | (43 480)      |
| Income tax effect   | <b>(14 747)</b> | 8 714         |
| Items that will not be reclassified to profit or loss   | <b>(9 882)</b>  | 17 426        |
| Remeasurement of retirement benefit obligation  | <b>(12 991)</b> | 20 671        |
| Remeasurement of retirement benefit asset   | <b>(733)</b>    | 3 531         |
| Income tax effect   | <b>3 842</b>    | (6 776)       |
| <b>Total comprehensive income/(loss) for the year attributable to equity holders of the company</b> | <b>412 965</b>  | (1 349 940)   |

## GROUP STATEMENT OF CHANGES IN EQUITY

for the year 31 December 2014

|   | Share capital<br>R'000 | Share premium<br>R'000 | Consolidated shares<br>R'000 | Hedging reserve<br>R'000 | Employee share-based payment reserve<br>R'000 | BEE reserve<br>R'000 | Retained earnings<br>R'000 | Total equity<br>R'000 |
|---|------------------------|------------------------|------------------------------|--------------------------|---|----------------------|----------------------------|-----------------------|
| <b>Balance at 31 December 2012</b>                                  | 35 438                 | 1 785 620              | (3 624)                      | (8 898)                  | 101 099                                       | 174 686              | 2 663 276                  | 4 747 597             |
| Net loss for the year   | -                      | -                      | -                            | -                        | -   | -                    | (1 344 959)                | (1 344 959)           |
| Other comprehensive loss net of tax                                 |                        |                        |                              |                          |   |                      |                            |                       |
| - cash flow hedges net of tax                                       | -                      | -                      | -                            | (22 407)                 | -   | -                    | -                          | (22 407)              |
| - retirement benefit assets and obligations                         | -                      | -                      | -                            | -                        | -   | -                    | 17 426                     | 17 426                |
| Ordinary shares issued  | 112                    | -                      | -                            | -                        | -   | -                    | -                          | 112                   |
| Value of employee services (note 17.1)                              | -                      | -                      | -                            | -                        | 9 360   | -                    | -                          | 9 360                 |
| Settlement of employee share incentives                             | -                      | -                      | -                            | -                        | (2 457)                                       | -                    | (2 146)                    | (4 603)               |
| Tax on employee share incentives                                    | -                      | -                      | -                            | -                        | -   | -                    | 284                        | 284                   |
| Transfer of share-based payment reserve to retained earnings        | -                      | -                      | -                            | -                        | (78 282)                                      | -                    | 78 282                     | -                     |
| <b>Balance at 31 December 2013</b>                                  | 35 550                 | 1 785 620              | (3 624)                      | (31 305)                 | 29 720  | 174 686              | 1 412 163                  | 3 402 810             |
| Net profit for the year   | -                      | -                      | -                            | -                        | -   | -                    | <b>384 928</b>             | <b>384 928</b>        |
| Other comprehensive income net of tax                               |                        |                        |                              |                          |   |                      |                            |                       |
| - cash flow hedges net of tax                                       | -                      | -                      | -                            | <b>37 919</b>            | -   | -                    | -                          | <b>37 919</b>         |
| - retirement benefit assets and obligations                         | -                      | -                      | -                            | -                        | -   | -                    | <b>(9 882)</b>             | <b>(9 882)</b>        |
| Ordinary shares issued  | <b>34</b>              | -                      | -                            | -                        | -   | -                    | -                          | <b>34</b>             |
| A ordinary shares redeemed (note 31.6)                              | <b>(3 624)</b>         | -                      | -                            | -                        | -   | -                    | -                          | <b>(3 624)</b>        |
| Share-based payment costs on A ordinary shares redeemed (note 31.6) | -                      | -                      | -                            | -                        | -   | -                    | <b>3 624</b>               | <b>3 624</b>          |
| Value of employee services (note 17.1)                              | -                      | -                      | -                            | -                        | <b>15 156</b>                                 | -                    | -                          | <b>15 156</b>         |
| Settlement of employee share incentives                             | -                      | -                      | -                            | -                        | <b>(3 465)</b>                                | -                    | <b>669</b>                 | <b>(2 796)</b>        |
| Tax on employee share incentives                                    | -                      | -                      | -                            | -                        | -   | -                    | <b>7 044</b>               | <b>7 044</b>          |
| De-consolidation of structured entity (note 31.6)                   | -                      | -                      | <b>3 624</b>                 | -                        | -   | -                    | <b>(5 020)</b>             | <b>(1 396)</b>        |
| Transfer of BEE reserve to retained earnings (note 31.6)            | -                      | -                      | -                            | -                        | -   | <b>(174 686)</b>     | <b>174 686</b>             | -                     |
| <b>Balance at 31 December 2014</b>                                  | <b>31 960</b>          | <b>1 785 620</b>       | -                            | <b>6 614</b>             | <b>41 411</b>                                 | -                    | <b>1 968 212</b>           | <b>3 833 817</b>      |

## GROUP CASH FLOW STATEMENT

for the year 31 December 2014

|   | Notes | 2014<br>R'000  | 2013<br>R'000  |
|---|-------|----------------|----------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>           |       |                |                |
| Cash generated before working capital changes         | 23    | 732 240        | 586 817        |
| Changes in working capital                            | 24    | (78 854)       | (211 247)      |
| Cash generated from operations                        |       | 653 386        | 375 570        |
| Interest paid   |       | (53 079)       | (65 570)       |
| Interest received                                     |       | 2 453          | 1 358          |
| Income tax payment                                    |       | (84 714)       | (28 400)       |
| Net cash inflow from operating activities             |       | 518 046        | 282 958        |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>           |       |                |                |
| Additions to property, plant and equipment            |       | (305 572)      | (131 165)      |
| Additions to intangible assets                        |       | (29 992)       | (16 659)       |
| Proceeds on disposal of property, plant and equipment |       | 206            | 158            |
| Net cash outflow from investing activities            |       | (335 358)      | (147 666)      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>           |       |                |                |
| Proceeds from borrowings                              |       | –              | 804 482        |
| Repayment of borrowings                               |       | (118 338)      | (772 079)      |
| Redemption of A ordinary shares                       | 31.6  | (3 624)        | –              |
| Ordinary shares issued                                |       | 34             | 112            |
| Settlement of share options                           |       | (2 796)        | (4 603)        |
| Net cash (outflow)/inflow from financing activities   |       | (124 724)      | 27 912         |
| <b>Net increase in cash and cash equivalents</b>      |       |                |                |
| Cash and cash equivalents at beginning of year        |       | 192 800        | 29 596         |
| De-consolidation of structured entity                 | 31.6  | (1 658)        | –              |
| <b>Cash and cash equivalents at end of year</b>       | 10    | <b>249 106</b> | <b>192 800</b> |

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# NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2014

## 1. ACCOUNTING POLICIES

### 1.1 Basis of preparation

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

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

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

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

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

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

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

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

### 1.2 New Accounting Standards

#### Standards, amendments and interpretations in issue and effective

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2014:

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities.

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. Certain of the group's borrowings and cash positions qualify for offset in terms of IAS 32.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets.

This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The group has applied the amendment and there has been no significant impact on the group financial statements as a result.

IFRIC 21, 'Levies', sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

#### Standards, amendments and interpretations in issue not yet effective

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

- Amendment to IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets' (effective 1 July 2016)
- Amendment to IAS 19 regarding contributions to defined benefit plans (effective 1 July 2014)
- Amendment to IAS 24, 'Related party disclosures' (effective 1 July 2014)
- Amendment to IFRS 3, 'Business combinations' (effective 1 July 2014)
- IFRS 9, 'Financial Instruments' (effective from 1 January 2018)
- Amendment to IFRS 13, 'Fair value measurement' (effective 1 July 2014)
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2017)

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

## 1. ACCOUNTING POLICIES CONTINUED

### 1.3 Judgements made by management

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

### 1.4 Recognition of assets and liabilities

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

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

Financial assets are recognised based on trade dates.

### 1.5 Derecognition of assets and liabilities

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

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

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

### 1.6 Foreign currencies

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

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

### 1.7 Hedge accounting

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions, which is detailed in note 33. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness.

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

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

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

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

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

The hedging reserve accumulates all movement in the fair value of financial instruments designated as hedges of transactions that have yet to be recognised on the balance sheet. When the underlying transaction is recognised, the related accumulated hedging reserve is released to the income statement, and reflected in revenue (refer to note 16 of the group financial statements).

## 1. ACCOUNTING POLICIES CONTINUED

### 1.8 Post balance sheet events

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

### 1.9 Comparative figures

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

### 1.10 Segment reporting

The group determines and reports operating segments based on internal information that is provided to the Hulamin Executive Committee, which is the group's most senior operating decision-making body. It is responsible for allocating resources and assessing performance of the operating segments.

### 1.11 Basis of consolidation

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

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

#### 1.11.1 Consolidation of structured entities

As at 31 December 2013, Hulamin Limited held a 90% equity interest in Hulamin Operations (Pty) Ltd, with Chaldean Trading 67 (Pty) Ltd ("Chaldean") holding a 10% equity interest as well as a 10% voting-only interest in Hulamin Limited. As at 31 December 2014 Chaldean no longer held an interest in Hulamin Operations (Pty) Ltd.

Chaldean was established for the purpose of assisting Hulamin to achieve an appropriate BEE ownership level, with the benefit of this entity being for Hulamin, and not only the shareholders of Chaldean. Given that Hulamin, in substance, controlled Chaldean, and notwithstanding the absence of shareholding in this company by Hulamin, Chaldean was fully consolidated in the consolidated financial statements of the group in the prior financial year. The BEE transaction which resulted in this structure matured on or about 9 July 2014. This resulted in the deconsolidation of Chaldean from the group in the current year.

### 1.12 Associates

Associates are all entities over which the group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Associates are accounted for using the equity method from the date on which they become an associate. The use of the equity method is discontinued from the date that the group ceases to have significant influence over an associate.

The carrying amount of the investment in associate is tested for impairment by comparing the recoverable amount with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment.

### 1.13 Joint ventures

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

### 1.14 Business combinations

#### Business combinations – IFRS 3

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

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

#### Business combinations – common control transactions

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

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

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



# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

## 1. ACCOUNTING POLICIES CONTINUED

### ASSETS

#### 1.15 Property, plant and equipment

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

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

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

Where the useful lives of significant parts of an item are different from the item itself, these parts are depreciated over their useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

#### 1.16 Intangible assets

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

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

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

#### 1.17 Impairment of non-financial assets

At each reporting date, the carrying amount of the tangible and intangible assets are assessed to determine whether there is any indication that those assets may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is estimated based on discounted future cash flows expected to be derived from an asset or cash-generating unit.

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

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

#### 1.18 Leasing

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

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

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

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

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

## 1. ACCOUNTING POLICIES CONTINUED

### 1.19 Inventories

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

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

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

### 1.20 Financial assets

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

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

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

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

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

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

### 1.21 Non-current assets (or disposal groups) held for sale

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

### 1.22 Cash and cash equivalents

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

### 1.23 Contingent assets and liabilities

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

## EQUITY AND LIABILITIES

### 1.24 Equity

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

### 1.25 Consolidated shares

Consolidated shares represent the A class ordinary shares issued to the BEE investors. As this structured entity is consolidated in terms of IFRS, these issued shares of the company are treated as treasury shares. Accordingly, the subscription value of these shares is deducted from equity attributable to the equity holders of the company until the shares are cancelled, reissued or disposed of.

# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

## 1. ACCOUNTING POLICIES CONTINUED

### 1.26 Deferred tax

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

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

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

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

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

### 1.27 Financial liabilities

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

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

Financial liabilities (excluding liabilities designated in a hedging relationship) that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost. These consist of trade and other payables and interest-bearing borrowings.

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

### 1.28 Employment benefit obligations

#### Pension obligations

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

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

For defined benefit plans, the cost of providing benefits is determined using the projected unit credit actuarial valuation method, with actuarial valuations being carried out at the end of each reporting period.

For defined benefit retirement plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit 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. Past service cost is recognised in profit or loss in the period of plan amendment, Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

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

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

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

## 1. ACCOUNTING POLICIES CONTINUED

### 1.28 Employment benefit obligations continued

#### Post-retirement medical aid benefits and retirement gratuities

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

#### Employee benefit costs

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

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

### 1.29 Shareholders for equity dividends

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. Dividends tax in respect of such dividends is recognised as a liability when the dividends are recognised as a liability and are included in the tax charge in the income statement.

### 1.30 Provisions

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

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

## INCOME STATEMENT

### 1.31 Revenue

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

Revenue of the group comprises revenue from the sale of fabricated and semi-fabricated aluminium products, which comprise a metal component and a conversion margin. Revenue of the company comprises interest income and management and agency fees.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. This occurs when the group entity has delivered products to the customer and the customer has accepted the products. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the International Chamber of Commerce Terms of Trade, where these are applicable. Revenue is disclosed net of returns, rebates and discounts, and after eliminating sales within the group.

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

### 1.32 Borrowing costs

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

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

### 1.33 Taxation

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

## 1. ACCOUNTING POLICIES CONTINUED

### 1.34 Earnings per share

#### Earnings per share

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

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

#### Headline earnings per share

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

#### Normalised earnings per share

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

### 1.35 Share-based payments

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

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

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

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

### 1.36 Interest income

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

## ESTIMATES AND ASSUMPTIONS

### 1.37 Sources of estimation uncertainty

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

#### Useful lives and residual values of assets

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

#### Post-employment benefit obligations

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

#### Share-based payment transactions

The critical estimates and assumptions used in the IFRS 2 calculations are disclosed in note 31 of the group financial statements.

#### Impairment of non-financial assets

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

The critical estimates and assumptions used in the recoverable amount calculations in respect of the assets of the group are disclosed in note 18 of the group financial statements.

## 2. OPERATING SEGMENT ANALYSIS

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

|  | 2014                          |                          |                   | 2013                          |                          |                   |
|--|-------------------------------|--------------------------|-------------------|-------------------------------|--------------------------|-------------------|
|  | Hulamin Rolled Products R'000 | Hulamin Extrusions R'000 | Group total R'000 | Hulamin Rolled Products R'000 | Hulamin Extrusions R'000 | Group total R'000 |
| <b>Revenue</b>   |                               |                          |                   |                               |                          |                   |
| Segment revenue  | 7 288 391                     | 750 527                  | 8 038 918         | 6 783 158                     | 776 849                  | 7 560 007         |
| Inter-segment revenue  | -                             | -                        | -                 | -                             | -                        | -                 |
| Revenue from external customers                                  | 7 288 391                     | 750 527                  | 8 038 918         | 6 783 158                     | 776 849                  | 7 560 007         |
| <b>Earnings</b>  |                               |                          |                   |                               |                          |                   |
| EBITDA*  | 599 226                       | 60 762                   | 659 988           | 469 213                       | 57 996                   | 527 209           |
| Depreciation and amortisation                                    | (105 039)                     | (13 221)                 | (118 260)         | (193 554)                     | (16 710)                 | (210 264)         |
| Impairment reversal/(charge)                                     | 43 405                        | -                        | 43 405            | (2 122 316)                   | -                        | (2 122 316)       |
| Operating profit/(loss)  | 537 592                       | 47 541                   | 585 133           | (1 846 657)                   | 41 286                   | (1 805 371)       |
| Interest received  | 2 453                         | -                        | 2 453             | 891                           | 467                      | 1 358             |
| Interest paid  | (45 249)                      | (2 911)                  | (48 160)          | (65 416)                      | 701                      | (64 715)          |
| Profit/(loss) before tax   | 494 796                       | 44 630                   | 539 426           | (1 911 182)                   | 42 454                   | (1 868 728)       |
| Taxation   | (141 612)                     | (12 886)                 | (154 498)         | 535 479                       | (11 710)                 | 523 769           |
| Net profit/(loss) for the year                                   | 353 184                       | 31 744                   | 384 928           | (1 375 703)                   | 30 744                   | (1 344 959)       |
| <b>Headline earnings</b>   |                               |                          |                   |                               |                          |                   |
| Net profit/(loss) for the year                                   | 353 184                       | 31 744                   | 384 928           | (1 375 703)                   | 30 744                   | (1 344 959)       |
| Loss/(profit) on disposal of property, plant and equipment       | 6 518                         | (20)                     | 6 498             | (143)                         | -                        | (143)             |
| Impairment (reversal)/charge                                     | (43 405)                      | -                        | (43 405)          | 2 122 316                     | -                        | 2 122 316         |
| Tax effect   | 10 328                        | 6                        | 10 334            | (594 209)                     | -                        | (594 209)         |
|  | 326 625                       | 31 730                   | 358 355           | 152 261                       | 30 744                   | 183 005           |
| <b>Normalised earnings</b>                                       |                               |                          |                   |                               |                          |                   |
| Headline earnings  | 326 625                       | 31 730                   | 358 355           | 152 261                       | 30 744                   | 183 005           |
| Adjusted for (net of tax):                                       |                               |                          |                   |                               |                          |                   |
| Transaction costs  | 7 450                         | -                        | 7 450             | -                             | -                        | -                 |
| Past credit adjustment to PRMA                                   | (11 272)                      | -                        | (11 272)          | -                             | -                        | -                 |
| Severance costs  | -                             | -                        | -                 | 18 438                        | -                        | 18 438            |
|  | 322 803                       | 31 730                   | 354 533           | 170 699                       | 30 744                   | 201 443           |
| Headline earnings per share:                                     |                               |                          |                   |                               |                          |                   |
| - Basic (cents)  |                               |                          | 112               |                               |                          | 57                |
| - Diluted (cents)  |                               |                          | 110               |                               |                          | 57                |
| Normalised earnings per share:                                   |                               |                          |                   |                               |                          |                   |
| - Basic (cents)  |                               |                          | 111               |                               |                          | 63                |
| - Diluted (cents)  |                               |                          | 109               |                               |                          | 62                |
| <b>Total assets</b>  | 5 897 340                     | 372 038                  | 6 269 378         | 5 443 306                     | 286 566                  | 5 729 872         |
| <b>Total liabilities</b>   | 2 339 871                     | 95 690                   | 2 435 561         | 2 282 253                     | 44 809                   | 2 327 062         |
| <b>Other disclosures</b>   |                               |                          |                   |                               |                          |                   |
| Additions to property, plant and equipment and intangible assets | 314 178                       | 21 386                   | 335 564           | 126 258                       | 21 566                   | 147 824           |

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000    | 2013<br>R'000 |
|--|------------------|---------------|
| <b>2. OPERATING SEGMENT ANALYSIS</b> CONTINUED |                  |               |
| <b>Analysis of revenue by product market</b>   |                  |               |
| Automotive and transport                       | 1 089 810        | 956 661       |
| Building and construction                      | 180 672          | 194 241       |
| General engineering                            | 3 679 343        | 3 741 287     |
| Packaging                                      | 3 089 093        | 2 667 818     |
|  | <b>8 038 918</b> | 7 560 007     |
| <b>Geographical analysis of revenue</b>        |                  |               |
| South Africa                                   | 2 959 537        | 2 698 489     |
| North America                                  | 1 982 260        | 1 747 490     |
| Europe   | 1 622 740        | 1 540 476     |
| Asia   | 658 242          | 838 384       |
| Middle East                                    | 455 307          | 287 647       |
| Australasia                                    | 58 061           | 36 209        |
| South America                                  | 278 278          | 388 118       |
| Rest of Africa                                 | 24 493           | 23 194        |
|  | <b>8 038 918</b> | 7 560 007     |

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

The Hulamin Rolled Products segment includes revenues of R823 283 000 (2013: R659 626 000) which arose from sales to the group's largest customer.

### 3. PROPERTY, PLANT AND EQUIPMENT

|   | Total<br>R'000   | Land and<br>buildings<br>R'000 | Plant and<br>machinery<br>R'000 | Vehicles,<br>equipment<br>and other<br>R'000 | Capital<br>works under<br>construction<br>R'000 |
|---|------------------|--------------------------------|---------------------------------|--|---|
| <b>2014</b>   |                  |                                |                                 |  |   |
| <b>At cost</b>  |                  |                                |                                 |  |   |
| Balance at beginning of year                          | 6 791 826        | 924 329                        | 5 653 492                       | 147 667                                      | 66 338  |
| Additions   | 305 572          | 519                            | 46 042                          | -  | 259 011   |
| Borrowing costs capitalised                           | 4 919            | -                              | -                               | -  | 4 919   |
| Capitalised from capital works under construction     | -                | 1 308                          | 57 752                          | 14 959                                       | (74 019)  |
| Transfers   | -                | -                              | (732)                           | 732  | -   |
| Disposals   | (59 139)         | (33)                           | (58 812)                        | (294)  | -   |
| Reclassification to asset held for sale (note 5)      | (87 890)         | -                              | (87 890)                        | -  | -   |
| Balance at end of year                                | 6 955 288        | 926 123                        | 5 609 852                       | 163 064                                      | 256 249   |
| <b>Accumulated depreciation and impairment losses</b> |                  |                                |                                 |  |   |
| Balance at beginning of year                          | 4 276 701        | 508 861                        | 3 610 334                       | 123 556                                      | 33 950  |
| Charge for the year (note 17)                         | 109 952          | 16 844                         | 85 624                          | 7 484  | -   |
| Transfers   | -                | (16 107)                       | 42 375                          | 7 682  | (33 950)  |
| Disposals   | (52 435)         | (20)                           | (52 228)                        | (187)  | -   |
| Impairment reversal (note 18)                         | (43 405)         | -                              | (43 405)                        | -  | -   |
| Reclassification to asset held for sale (note 5)      | (32 673)         | -                              | (32 673)                        | -  | -   |
| Balance at end of year                                | 4 258 140        | 509 578                        | 3 610 027                       | 138 535                                      | -   |
| <b>Carrying value at 31 December 2014</b>             | <b>2 697 148</b> | <b>416 545</b>                 | <b>1 999 825</b>                | <b>24 529</b>                                | <b>256 249</b>                                  |
| <b>2013</b>   |                  |                                |                                 |  |   |
| <b>At cost</b>  |                  |                                |                                 |  |   |
| Balance at beginning of year                          | 6 664 474        | 924 878                        | 5 462 424                       | 170 840                                      | 106 332   |
| Additions   | 131 165          | -                              | 47 674                          | -  | 83 491  |
| Borrowing costs capitalised                           | 855              | -                              | -                               | -  | 855   |
| Capitalised from capital works under construction     | -                | 222                            | 122 781                         | 4 942  | (127 945)                                       |
| Transfer to intangible assets                         | (4 412)          | -                              | -                               | (4 412)                                      | -   |
| Transfers   | -                | (736)                          | 20 834                          | (23 703)                                     | 3 605   |
| Disposals   | (256)            | (35)                           | (221)                           | -  | -   |
| Balance at end of year                                | 6 791 826        | 924 329                        | 5 653 492                       | 147 667                                      | 66 338  |
| <b>Accumulated depreciation and impairment losses</b> |                  |                                |                                 |  |   |
| Balance at beginning of year                          | 1 990 777        | 148 443                        | 1 754 419                       | 87 915                                       | -   |
| Charge for the year (note 17)                         | 198 546          | 20 478                         | 165 831                         | 12 237                                       | -   |
| Transfer to intangible assets                         | (2 029)          | -                              | -                               | (2 029)                                      | -   |
| Transfers   | -                | -                              | (6 272)                         | 6 272  | -   |
| Disposals   | (241)            | (20)                           | (221)                           | -  | -   |
| Impairment losses (note 18)                           | 2 089 648        | 339 960                        | 1 696 577                       | 19 161                                       | 33 950  |
| Balance at end of year                                | 4 276 701        | 508 861                        | 3 610 334                       | 123 556                                      | 33 950  |
| <b>Carrying value at 31 December 2013</b>             | <b>2 515 125</b> | <b>415 468</b>                 | <b>2 043 158</b>                | <b>24 111</b>                                | <b>32 388</b>                                   |

The weighted average interest rate used for borrowing costs capitalised is 7,68% (2013: 7,57%).

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

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

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

Moveable items of property, plant and equipment with a carrying value of R23 060 000 (2013: R22 753 000) are encumbered as security for borrowing facilities (note 15).



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000 | 2013<br>R'000 |
|--|---------------|---------------|
| <b>4. INTANGIBLE ASSETS</b>                                  |               |               |
| <b>Software costs – internally generated and capitalised</b> |               |               |
| At beginning of year   | 84 288        | 68 485        |
| Additions  | 7 840         | 11 778        |
| Transfer from property, plant and equipment                  | –             | 4 025         |
| At end of year   | 92 128        | 84 288        |
| <b>Accumulated amortisation</b>                              |               |               |
| At beginning of year   | 54 018        | 16 914        |
| Charge for the year (note 17)                                | 4 766         | 9 207         |
| Impairment losses (note 18)                                  | –             | 25 959        |
| Transfer from property, plant and equipment                  | –             | 1 938         |
| At end of year   | 58 784        | 54 018        |
| Carrying value at end of year                                | 33 344        | 30 270        |
| <b>Software costs – other external</b>                       |               |               |
| At beginning of year   | 29 407        | 24 139        |
| Additions  | 22 152        | 4 881         |
| Transfer from property, plant and equipment                  | –             | 387           |
| At end of year   | 51 559        | 29 407        |
| <b>Accumulated amortisation</b>                              |               |               |
| At beginning of year   | 21 584        | 12 273        |
| Charge for the year (note 17)                                | 3 542         | 2 511         |
| Impairment losses (note 18)                                  | –             | 6 709         |
| Transfer from property, plant and equipment                  | –             | 91            |
| At end of year   | 25 126        | 21 584        |
| Carrying value at end of year                                | 26 433        | 7 823         |
| <b>Total software costs</b>                                  |               |               |
| Cost   | 143 687       | 113 695       |
| Accumulated amortisation                                     | 83 910        | 75 602        |
| Carrying value at end of year                                | 59 777        | 38 093        |

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

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

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

## 5. ASSET HELD FOR SALE

In December 2014, management approved a plan to sell one of its rolling mills. Accordingly, it is presented as an asset held for sale.

A buyer for the rolling mill has been identified and the sale is expected to be completed by June 2015.

At 31 December 2014, the rolling mill was stated at carrying value which did not exceed its fair value less cost to sell (in accordance with IFRS 5) and comprised the following:

|                               | 2014<br>R'000 | 2013<br>R'000 |
|-------------------------------|---------------|---------------|
| Property, plant and machinery | 55 217        | –             |

|  | 2014<br>R'000    | 2013<br>R'000 |
|--|------------------|---------------|
| <b>6. DEFERRED TAX ASSET</b>                                 |                  |               |
| At beginning of year   | <b>27 815</b>    | 33 632        |
| Tax credited/(charged) directly to equity                    | <b>394</b>       | (74)          |
| Income statement   |                  |               |
| Current year charge  | <b>(3 989)</b>   | (4 306)       |
| Prior year credit/(charge)                                   | <b>801</b>       | (1 208)       |
| Deferred tax credit/(charge) in other comprehensive income   | <b>429</b>       | (229)         |
| At end of year   | <b>25 450</b>    | 27 815        |
| Analysis of deferred tax asset                               |                  |               |
| Fixed assets   | <b>(2 625)</b>   | (363)         |
| Retirement benefit obligations and other provisions          | <b>27 107</b>    | 23 876        |
| Other  | <b>968</b>       | 4 302         |
|  | <b>25 450</b>    | 27 815        |
| Deferred tax asset to be recovered after more than 12 months | <b>24 063</b>    | 23 875        |
| Deferred tax asset to be recovered within 12 months          | <b>1 387</b>     | 3 940         |
|  | <b>25 450</b>    | 27 815        |
| <b>7. INVENTORIES</b>  |                  |               |
| Raw materials  | <b>530 857</b>   | 489 895       |
| Work-in-progress   | <b>514 785</b>   | 442 750       |
| Finished goods   | <b>751 600</b>   | 711 602       |
| Consumable stores  | <b>161 692</b>   | 162 328       |
|  | <b>1 958 934</b> | 1 806 575     |

Inventories with a carrying value of R1 780 617 000 (2013: R1 660 570 000) are encumbered as security for borrowing facilities (note 15).

Certain items of inventory were written down (note 17) to net realisable value.

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000                    | 2013<br>R'000                   |                                 |
|--|----------------------------------|---------------------------------|---------------------------------|
| <b>8. TRADE AND OTHER RECEIVABLES</b>  |                                  |                                 |                                 |
| <b>Financial assets</b>  | <b>935 977</b>                   | 840 442                         |                                 |
| Trade receivables  | <b>937 403</b>                   | 834 853                         |                                 |
| Less: Provision for impairment of receivables  | <b>(6 222)</b>                   | (7 835)                         |                                 |
|  | <b>931 181</b>                   | 827 018                         |                                 |
| Sundry receivables   | <b>4 796</b>                     | 13 424                          |                                 |
| <b>Non-financial assets</b>  | <b>101 932</b>                   | 132 177                         |                                 |
| Prepayments  | <b>33 754</b>                    | 24 942                          |                                 |
| Value-added taxation receivable  | <b>68 178</b>                    | 107 235                         |                                 |
|  | <b>1 037 909</b>                 | 972 619                         |                                 |
| As at 31 December, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:  |                                  |                                 |                                 |
| Receivables that are neither overdue nor impaired  | <b>750 062</b>                   | 762 932                         |                                 |
| Receivables overdue but not impaired   | <b>185 915</b>                   | 77 510                          |                                 |
| Overdue by less than 60 days   | <b>155 543</b>                   | 62 679                          |                                 |
| Overdue by more than 60 days   | <b>30 372</b>                    | 14 831                          |                                 |
|  | <b>935 977</b>                   | 840 442                         |                                 |
| Total receivables, net of provision for impairment   | <b>935 977</b>                   | 840 442                         |                                 |
| One debtor comprises 22% (2013: 14%) of trade receivables. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December, the exposure of the group to trade receivables, neither overdue nor impaired, in local and overseas markets, and the extent to which these are subject to credit insurance cover is as follows: |                                  |                                 |                                 |
| Local trade receivables  | <b>220 943</b>                   | 138 799                         |                                 |
| – Balance subject to credit insurance (%)  | <b>98</b>                        | 92                              |                                 |
| Export trade receivables   | <b>524 323</b>                   | 610 709                         |                                 |
| – Balance subject to credit insurance (%)  | <b>100</b>                       | 100                             |                                 |
|  | <b>745 266</b>                   | 749 508                         |                                 |
| Trade receivables covered by credit insurance are subject to a 10% excess.   |                                  |                                 |                                 |
| Trade and sundry receivables that are impaired are provided for in full. No collateral is held on these receivables. The movement in the provision for impairment is as follows:   |                                  |                                 |                                 |
| At 1 January   | <b>7 835</b>                     | 6 359                           |                                 |
| Receivables written off during the year as uncollectible   | <b>(3 152)</b>                   | (707)                           |                                 |
| Net creation during the year   | <b>1 539</b>                     | 2 183                           |                                 |
| At 31 December   | <b>6 222</b>                     | 7 835                           |                                 |
| Trade and other receivables with a carrying value of R854 231 000 (2013: R769 795 000) have been ceded as security for borrowing facilities (note 15).   |                                  |                                 |                                 |
| The fair values of the trade and sundry receivables, and the group's maximum exposure to credit risk related thereto, approximate their carrying value.  |                                  |                                 |                                 |
| The group had the following uncovered export trade debtors at the period end:  |                                  |                                 |                                 |
|  | 2014<br>Foreign<br>amount<br>000 | 2014<br>Rand<br>amount<br>R'000 | 2013<br>Rand<br>amount<br>R'000 |
| Euro   | <b>237</b>                       | <b>3 315</b>                    | 609                             |
| Pound Sterling   | <b>–</b>                         | <b>–</b>                        | 82                              |
| US Dollar  | <b>424</b>                       | <b>4 914</b>                    | 9 095                           |
|  |                                  | <b>8 229</b>                    | 9 786                           |

|   | 2014<br>R'000   | 2013<br>R'000 |
|---|-----------------|---------------|
| <b>9. DERIVATIVE FINANCIAL INSTRUMENTS</b>  |                 |               |
| Forward foreign exchange contracts – designated as hedging instruments (note 9.1)     | (52 152)        | (47 033)      |
| Forward foreign exchange contracts – not designated as hedging instruments (note 9.1) | (12 572)        | (9 985)       |
| Commodity futures – designated as hedging instruments (note 9.2)                      | 38 380          | 5 550         |
|   | <b>(26 344)</b> | (51 468)      |
| Grouped as:   |                 |               |
| Financial assets  | 44 175          | 13 889        |
| Financial liabilities   | <b>(70 519)</b> | (65 357)      |
|   | <b>(26 344)</b> | (51 468)      |

The credit quality of all derivative financial assets is sound and there have been no defaults in the past. None are overdue or impaired and the group does not hold collateral on derivatives. The group's maximum exposure to counterparty credit risk on derivative assets at 31 December 2014 is made up of exposure on commodity futures and amounted to R38 380 000 (2013: R5 550 000).

The fair value of the financial instruments is determined by applying the methods disclosed in notes 1.20 and 1.27.

The fair value measurement classification of the above financial instruments is level 2 (observable inputs) in accordance with the fair value hierarchy prescribed by IFRS 7 (amended).

### 9.1 Foreign currency management

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

|                          | 2014                  |                      |  | 2013                  |                      |  |
|--------------------------|-----------------------|----------------------|--|-----------------------|----------------------|--|
|                          | Foreign amount<br>000 | Rand amount<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 | Foreign amount<br>000 | Rand amount<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 |
| <b>Forward purchases</b> |                       |                      |  |                       |                      |  |
| US Dollar                | 2 933                 | 33 679               | (148)  | 5 416                 | 56 294               | 1 431  |
|                          |                       | <b>33 679</b>        | <b>(148)</b>                                 |                       | 56 294               | 1 431  |
| <b>Forward sales</b>     |                       |                      |  |                       |                      |  |
| US Dollar                | (103 030)             | (1 158 354)          | (52 764)                                     | (122 888)             | (1 257 291)          | (44 862)                                     |
| Euro                     | (1 936)               | (28 019)             | 741  | (2 664)               | (37 571)             | (3 575)                                      |
| Pound Sterling           | (124)                 | (2 266)              | 19   | (35)                  | (587)                | (27)   |
|                          |                       | <b>(1 188 639)</b>   | <b>(52 004)</b>                              |                       | (1 295 449)          | (48 464)                                     |
| <b>Net total</b>         |                       | <b>(1 154 960)</b>   | <b>(52 152)</b>                              |                       | (1 239 155)          | (47 033)                                     |
| Maturing in:             |                       |                      |  |                       |                      |  |
| 2014                     |                       | –                    | –  |                       | (1 239 155)          | (47 033)                                     |
| 2015                     |                       | <b>(1 154 960)</b>   | <b>(52 152)</b>                              |                       | –                    | –  |
|                          |                       | <b>(1 154 960)</b>   | <b>(52 152)</b>                              |                       | (1 239 155)          | (47 033)                                     |
| Cash flow hedges         |                       | <b>(1 158 354)</b>   | <b>(52 764)</b>                              |                       | (1 257 291)          | (44 862)                                     |
| Fair value hedges        |                       | 3 394                | 612  |                       | 18 136               | (2 171)                                      |
|                          |                       | <b>(1 154 960)</b>   | <b>(52 152)</b>                              |                       | (1 239 155)          | (47 033)                                     |
| Grouped as:              |                       |                      |  |                       |                      |  |
| Financial assets         |                       |                      | 196  |                       |                      | 1 647  |
| Financial liabilities    |                       |                      | <b>(52 348)</b>                              |                       |                      | (48 680)                                     |
|                          |                       |                      | <b>(52 152)</b>                              |                       |                      | (47 033)                                     |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

#### 9.1 Foreign currency management continued

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

|                          | 2014                  |                      |  | 2013                  |                      |  |
|--------------------------|-----------------------|----------------------|--|-----------------------|----------------------|--|
|                          | Foreign amount<br>000 | Rand amount<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 | Foreign amount<br>000 | Rand amount<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 |
| <b>Forward purchases</b> |                       |                      |  |                       |                      |  |
| Pound Sterling           | 4 100                 | 47 076               | 1 452  | 810                   | 13 294               | 774  |
| Euro                     | 6 317                 | 94 797               | (4 497)                                      | 965                   | 13 458               | 611  |
| US Dollar                | 1 092                 | 20 752               | (787)  | 4 610                 | 47 913               | (453)  |
|                          |                       | 162 625              | (3 832)                                      |                       | 74 665               | 932  |
| <b>Forward sales</b>     |                       |                      |  |                       |                      |  |
| US Dollar                | (41 142)              | (467 732)            | (11 443)                                     | (44 647)              | (462 357)            | (7 581)                                      |
| Euro                     | (7 108)               | (102 854)            | 2 696  | (10 588)              | (149 309)            | (2 710)                                      |
| Pound Sterling           | (426)                 | (7 766)              | 7  | (1 099)               | (18 407)             | (626)  |
|                          |                       | (578 352)            | (8 740)                                      |                       | (630 073)            | (10 917)                                     |
| <b>Net total</b>         |                       | (415 727)            | (12 572)                                     |                       | (555 408)            | (9 985)                                      |
| Maturing in:             |                       |                      |  |                       |                      |  |
| 2014                     |                       | -                    | -  |                       | (555 408)            | (9 985)                                      |
| 2015                     |                       | (415 727)            | (12 572)                                     |                       | -                    | -  |
|                          |                       | (415 727)            | (12 572)                                     |                       | (555 408)            | (9 985)                                      |
| Grouped as:              |                       |                      |  |                       |                      |  |
| Financial assets         |                       |                      | 47   |                       |                      | 350  |
| Financial liabilities    |                       |                      | (12 619)                                     |                       |                      | (10 335)                                     |
|                          |                       |                      | (12 572)                                     |                       |                      | (9 985)                                      |

## 9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

### 9.2 Commodity price management

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

|  | 2014            |                              |  | 2013     |                              |  |
|--|-----------------|------------------------------|--|----------|------------------------------|--|
|  | Tons            | Contracted<br>value<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 | Tons     | Contracted<br>value<br>R'000 | Fair value<br>asset/<br>(liability)<br>R'000 |
| Net aluminium futures<br>purchases/(sales)<br>maturing in: |                 |                              |  |          |                              |  |
| 2014   | -               | -                            | -  | (10 600) | (203 510)                    | 5 550  |
| 2015   | <b>(17 600)</b> | <b>(415 178)</b>             | <b>38 380</b>                                | -        | -                            | -  |
|  | <b>(17 600)</b> | <b>(415 178)</b>             | <b>38 380</b>                                | (10 600) | (203 510)                    | 5 550  |
| Grouped as:  |                 |                              |  |          |                              |  |
| Financial assets   |                 |                              | <b>43 932</b>                                |          |                              | 11 893                                       |
| Financial liabilities                                      |                 |                              | <b>(5 552)</b>                               |          |                              | (6 343)                                      |
|  |                 |                              | <b>38 380</b>                                |          |                              | 5 550  |
| Cash flow hedges   |                 |                              | <b>48 295</b>                                |          |                              | 15 445                                       |
| Fair value hedges  |                 |                              | <b>(9 915)</b>                               |          |                              | (9 895)                                      |
|  |                 |                              | <b>38 380</b>                                |          |                              | 5 550  |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000    | 2013<br>R'000 |
|--|------------------|---------------|
| <b>10. CASH AND CASH EQUIVALENTS</b>   |                  |               |
| Bank balances  | <b>98 407</b>    | 191 907       |
| Cash on hand   | <b>699</b>       | 893           |
| Nedbank call deposit   | <b>150 000</b>   | -             |
|  | <b>249 106</b>   | 192 800       |
| Effective interest rates   | <b>4,80</b> %    | 3,25          |
| Included in bank balances are the following foreign currency denominated accounts:   |                  |               |
| Euro   | <b>6 737</b>     | 2 468         |
| Pound Sterling   | <b>1</b>         | 12 623        |
| US Dollar  | <b>14 699</b>    | 11 924        |
|  | <b>21 437</b>    | 27 015        |
| Bank balances with a carrying value of R246 124 000 (2013: R189 470 000) have been ceded as security for borrowing facilities (note 15). |                  |               |
| <b>11. SHARE CAPITAL AND SHARE PREMIUM</b>   |                  |               |
| <b>11.1 Authorised</b>   |                  |               |
| 800 000 000 ordinary shares of 10 cents each<br>(2013: 800 000 000 ordinary shares of 10 cents each)                                     | <b>80 000</b>    | 80 000        |
| 45 000 000 A ordinary shares of 10 cents each<br>(2013 45 000 000 A ordinary shares of 10 cents each)                                    | <b>4 500</b>     | 4 500         |
| 28 000 000 B ordinary shares of 10 cents each<br>(2013: 28 000 000 B ordinary shares of 10 cents each)                                   | <b>2 800</b>     | 2 800         |
| Total authorised share capital   | <b>87 300</b>    | 87 300        |
| The B ordinary shares consist of 15 000 000 B1 shares, 10 000 000 B2 shares and 3 000 000 B3 shares.                                     |                  |               |
| <b>11.2 Issued</b>   |                  |               |
| <b>Ordinary shares</b>   |                  |               |
| Opening balance: 319 268 492 ordinary shares of 10 cents each<br>(2013: 318 141 050 ordinary shares of 10 cents each)                    | <b>31 926</b>    | 31 814        |
| Issued during year: 328 344 ordinary shares of 10 cents each<br>(2013: 1 127 442 ordinary shares of 10 cents each)                       | <b>34</b>        | 112           |
| Closing balance: 319 596 836 ordinary shares of 10 cents each<br>(2013: 319 268 492 ordinary shares of 10 cents each)                    | <b>31 960</b>    | 31 926        |
| <b>A ordinary shares</b>   |                  |               |
| A ordinary shares of 10 cents each<br>(2013: 36 235 470 A ordinary shares of 10 cents each)  | -                | 3 624         |
| Total issued share capital   | <b>31 960</b>    | 35 550        |
| <b>Share premium</b>   |                  |               |
| Opening balance  | <b>1 785 620</b> | 1 785 620     |
| Consolidated A ordinary shares   | -                | (3 624)       |
| Share capital and share premium  | <b>1 817 580</b> | 1 817 546     |

## 11. SHARE CAPITAL AND SHARE PREMIUM CONTINUED

### 11.3 A ordinary shares

In respect of the prior year, the A ordinary shares were unlisted and carried full voting rights. The A ordinary shares had no entitlements to any dividends or other shareholder distributions. The A ordinary shares were eliminated in the group accounts in the prior year as they were held by an entity related to the introduction of broad-based BEE investors, and this entity was consolidated into the group results. The BEE transaction matured on or about 9 July 2014, and the A ordinary shares were repurchased by the company at *par* value.

### 11.4 Unissued

#### Under option to employees:

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 31.

#### Under the control of the directors:

At 31 December 2014, 6 801 529 unissued ordinary shares (2013: 7 129 873) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

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

Details of beneficial shareholders holding more than 5% of the share capital of the company are set out on page 158.



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000  | 2013<br>R'000 |
|--|----------------|---------------|
| <b>12. DEFERRED TAX LIABILITY</b>                              |                |               |
| At beginning of year   | 405 311        | 962 518       |
| Tax charged/(credited) directly to equity                      | 4 684          | (2 525)       |
| Income statement   |                |               |
| Current year charge/(credit)                                   | 66 797         | (554 546)     |
| Prior year charge/(credit)                                     | 910            | (136)         |
| At end of year   | <b>477 702</b> | 405 311       |
| The deferred tax liability is analysed as follows:             |                |               |
| Accelerated tax depreciation                                   | 518 026        | 484 452       |
| Provisions and leave pay accruals                              | (63 166)       | (59 219)      |
| Defined benefit fund   | 38 879         | 45 211        |
| Assessed loss  | -              | (51 639)      |
| Share schemes  | (14 070)       | (3 032)       |
| Hedging reserve  | 2 572          | (12 174)      |
| Trade receivable prepayments                                   | (6 778)        | -             |
| Other  | 2 239          | 1 712         |
|  | <b>477 702</b> | 405 311       |
| Deferred tax liability to be settled after more than 12 months | 479 463        | 405 311       |
| Deferred tax liability to be settled within 12 months          | (1 761)        | -             |
|  | <b>477 702</b> | 405 311       |
| <b>13. RETIREMENT BENEFIT OBLIGATIONS</b>                      |                |               |
| Post-retirement medical aid provision                          | 203 445        | 196 870       |
| Retirement gratuity provision                                  | 32 924         | 28 956        |
|  | <b>236 369</b> | 225 826       |
| The movements in these provisions are detailed in note 25.     |                |               |
| <b>14. TRADE AND OTHER PAYABLES</b>                            |                |               |
| Trade payables   | 779 627        | 641 795       |
| Leave pay and bonus accruals                                   | 76 796         | 74 062        |
| Sundry accruals and other payables                             | 108 404        | 110 229       |
|  | <b>964 827</b> | 826 086       |

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

|  | 2014<br>R'000  | 2013<br>R'000 |
|--|----------------|---------------|
| <b>15. CURRENT BORROWINGS</b>  |                |               |
| Nedbank term loan  | 614 838        | 656 110       |
| Nedbank sale and repurchase loan   | –              | 77 024        |
| Pension fund loan (note 25)  | 71 306         | 71 348        |
|  | <b>686 144</b> | 804 482       |
| Effective interest rates are as follows:   |                |               |
| Nedbank term loan (%)  | 7,68           | 7,35          |
| Nedbank sale and repurchase loan (%)   | –              | 7,52          |
| Pension fund loan (%)  | 6,68           | 7,58          |
| The Nedbank term loan comprises a gross loan balance of R652 884 000 (2013: R656 110 000) which has been offset by bank balances of R38 046 000 (2013: nil) in terms of the loan agreements with Nedbank.      |                |               |
| The Nedbank term loan is secured against total inventories, total trade receivables and total bank balances; and also against all credit insurance on trade receivables and against insurance on fixed assets. |                |               |
| The current borrowings have no fixed repayment dates.  |                |               |
| The fair values of the current borrowings approximate their carrying value.  |                |               |
| <b>16. OTHER GAINS AND LOSSES</b>  |                |               |
| (Loss)/profit on disposal of property, plant and equipment   | (6 498)        | 143           |
| Insurance proceeds   | –              | 33 000        |
| Valuation adjustments on non-derivative items (note 16.1)  | 46 349         | 118 223       |
| Valuation adjustments on derivative items (note 16.2)  | 74 810         | (18 579)      |
|  | <b>114 661</b> | 132 787       |
| <b>16.1 Valuation adjustments on non-derivative items</b>  |                |               |
| Export receivables and hedged items in fair value hedges   | 52 939         | 129 596       |
| Import payables  | (7)            | 67            |
| Foreign currency denominated cash balances   | (6 583)        | (11 440)      |
|  | <b>46 349</b>  | 118 223       |
| <b>16.2 Valuation adjustments on derivative items</b>  |                |               |
| Forward foreign exchange contracts and commodity futures: not designated as hedging instruments  | 81 728         | (43 603)      |
| Forward foreign exchange contracts: fair value hedges  | (738)          | 2 953         |
| Commodity futures: fair value hedges   | (6 180)        | 22 071        |
|  | <b>74 810</b>  | (18 579)      |
| <b>16.3 Ineffective portion of all hedges recognised in profit or loss</b>   |                |               |
| Fair value hedges  | 1 110          | 8 912         |
| <b>16.4 The following amounts are included in revenue</b>  |                |               |
| Cash flow hedge losses transferred from equity   | (170 582)      | (141 164)     |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000    | 2013<br>R'000    |
|--|------------------|------------------|
| <b>17. EXPENSES BY NATURE</b>                              |                  |                  |
| Aluminum and other material costs                          | 5 381 439        | 5 326 164        |
| Utilities and other direct manufacturing costs             | 636 620          | 575 343          |
| Employment costs (note 17.1)                               | 776 483          | 762 538          |
| Depreciation and amortisation (included in cost of sales)  | 118 260          | 210 264          |
| Depreciation (note 3)                                      | 109 952          | 198 546          |
| Amortisation of intangible assets (note 4)                 | 8 308            | 11 718           |
| Repairs and maintenance                                    | 203 869          | 176 842          |
| Freight and commissions                                    | 325 519          | 326 895          |
| Other operating income and expenditure (note 17.2)         | 169 661          | (2 198)          |
|  | <b>7 611 851</b> | <b>7 375 848</b> |
| <b>Classified as:</b>                                      |                  |                  |
| Cost of sales  | 7 119 966        | 6 914 691        |
| Selling, marketing and distribution expenses               | 403 104          | 390 328          |
| Administrative and other expenses                          | 88 781           | 70 830           |
|  | <b>7 611 851</b> | <b>7 375 849</b> |
| <b>17.1 Employment costs</b>                               |                  |                  |
| Salaries and wages   | 720 050          | 673 872          |
| Severance costs  | -                | 25 608           |
| Retirement benefits costs:                                 |                  |                  |
| Defined contribution schemes (note 25)                     | 42 502           | 40 033           |
| Defined benefit scheme (note 25)                           | (9 565)          | (11 666)         |
| Post retirement medical aid costs (note 25)                | 4 030            | 20 262           |
| Retirement gratuities (note 25)                            | 4 310            | 5 069            |
| Share incentive costs                                      | 15 156           | 9 360            |
|  | <b>776 483</b>   | <b>762 538</b>   |
| <b>17.2 Other operating income and expenditure</b>         |                  |                  |
| Other operating income and expenditure includes:           |                  |                  |
| Write-down of inventories                                  | 9 266            | 5 382            |
| Operating leases   | 12 899           | 10 077           |
| (Decrease)/increase in provision for impairment of debtors | (1 613)          | 1 476            |
| Auditors' remuneration (note 17.3)                         | 4 391            | 3 680            |
| <b>17.3 Auditors' remuneration</b>                         |                  |                  |
| Audit fees   | 3 844            | 3 342            |
| Fees for other services                                    | 362              | 160              |
| Expenses   | 185              | 178              |
|  | <b>4 391</b>     | <b>3 680</b>     |

|  | 2014<br>R'000   | 2013<br>R'000 |
|--|-----------------|---------------|
| <b>18. IMPAIRMENT OF NON-CURRENT ASSETS</b>  |                 |               |
| The impairment reversal/(charge) recognised in the income statement is as follows: |                 |               |
| Rolled Products cash generating unit (note 18.1)                                   | –               | 2 122 316     |
| Rolled Products specific asset impairment reversal (note 18.3)                     | <b>(43 405)</b> | –             |
| Taxation thereon   | <b>12 153</b>   | (594 248)     |
| Net impairment (reversal)/charge   | <b>(31 252)</b> | 1 528 068     |

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

### 18.1 Rolled Products cash generating unit

The recoverable amount of these assets at 31 December 2014 was above the carrying amount and no impairment charge is thus required. A reversal of the 2013 impairment charge is also not required. In 2013, the carrying values were above the recoverable amount by R2 122 million and a gross impairment charge of this amount was recognised which, after a reduction of R594 248 000 in the related deferred tax liability, decreased shareholders' equity by R1 528 million.

The key assumptions used in the value in use calculation are consistent with those used in the five-year business plan approved by the board of directors. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. Key assumptions include:

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

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

**Currency exchange rates** – based on a forecast of a major South African financial institution with ZAR:USD rate assumed to rise from an annual average of R10,70 in 2014 to R12,65 in 2019.

A pre-tax discount rate of 14,1% (post-tax 11,3%) was used in the calculation and this rate is similar to the 14,5% (post-tax 11,5%) used in 2013. The decrease in the rate was caused by a decrease in the market risk premium and company specific risk premiums, partly offset by a rise in the general risk free rate. The company specific risk premium takes account of the increased risk caused by the current volatility in the Rand exchange rate, while in 2013 it took account of exchange rate volatility as well as reflecting uncertainty surrounding future rolling slab supplies.

#### Sensitivity analysis

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

**Discount rate** – increasing the rate from 11,3% to 12,3% would result in an impairment charge of R264 million.

**Rolling margins** – lowering average margins by 5% would result in an impairment charge of R1 206 million.

**Rate of exchange** – a R1,00 strengthening in the ZAR/USD rate for each year in the forecast period would result in an impairment charge of R2 032 million.

### 18.2 Hulamin Extrusions cash generating unit

It was determined, as at 31 December 2014, that no impairment of the carrying values of the assets of this cash generating unit is required.

### 18.3 Specific asset impairment reversal

An impairment charge was recognised in respect of one of the group's rolling mills in 2012, when the carrying amount of the rolling mill was higher than the recoverable amount. The recoverable amount was estimated based on its value in use.

In 2014, management committed to a plan to sell this rolling mill and, accordingly, the recoverable amount was reassessed based on the rolling mill's fair value less costs to sell. This resulted in an impairment reversal of R43 405 000. The rolling mill has been reclassified as an asset held for sale and is disclosed in note 5.

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000 | 2013<br>R'000 |
|--|---------------|---------------|
| <b>19. NET FINANCE COSTS</b>   |               |               |
| Interest expense   | 48 160        | 64 715        |
| Non-current borrowings interest  | –             | 35 037        |
| Current borrowings interest  | 53 079        | 30 533        |
| Interest capitalised   | (4 919)       | (855)         |
| Interest income  | (2 453)       | (1 358)       |
| Net finance costs  | 45 707        | 63 357        |
| <b>20. TAXATION</b>  |               |               |
| South African normal taxation:   |               |               |
| <b>Current</b>   |               |               |
| Current year charge  | 83 596        | 28 751        |
| Prior year under provision/(credit)  | 7             | (3 352)       |
| <b>Deferred</b>  |               |               |
| Current year charge/(credit)   | 70 786        | (550 240)     |
| Prior year under provision   | 109           | 1 072         |
|  | 154 498       | (523 769)     |
| 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:  |               |               |
| Items of a capital nature (%)  | 0,6           | 0,1           |
| Prior year adjustment (%)  | 0,0           | (0,1)         |
| Effective rate of taxation   | 28,6          | 28,0          |
| Estimated tax losses available for set-off against future taxable income against which a deferred tax asset has been raised: | –             | 184 426       |

## 21. EARNINGS PER SHARE

### 21.1 Weighted average number of shares

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

|  | December<br>2014<br>Number<br>of shares | December<br>2013<br>Number<br>of shares |
|--|---|---|
| <b>Reconciliation of denominators used for basic and diluted earnings per share, headline earnings per share and basic normalised earnings per share</b> |   |   |
| Basic EPS – weighted average number of shares  | 319 515 636                             | 319 007 266                             |
| Share options  | 6 860 351                               | 3 337 019                               |
| Diluted EPS – weighted average number of shares  | 326 375 987                             | 322 344 285                             |

|                                       |         | 2014 | 2013  |
|---------------------------------------|---------|------|-------|
| <b>21.2 Earnings/(loss) per share</b> |         |      |       |
| Basic                                 | (cents) | 120  | (422) |
| Diluted                               | (cents) | 118  | (417) |



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 25. RETIREMENT BENEFITS

#### Retirement benefit schemes

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

#### (a) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R10 200 909 (2013: R9 125 592) and were expensed during the year.

#### (b) Hulamin Pension fund

During 2012, members and pensioners accepted an offer made by the fund to convert the benefits of all in service members from defined benefit to defined contribution and to transfer the liabilities for the payment of pensions to an insurer. The group has no further exposure to actuarial or investment risk relating to the defined contribution section of the fund.

In addition to an enhancement of benefits granted by the fund to members and pensioners on conversion, the fund also provided certain members with a further benefit which targeted (but provided no guarantee of), at the date of conversion, equivalent benefits on retirement in terms of the defined contribution basis as would have been obtained had the member remained on the defined benefit basis (the "retirement benefit equalisation value").

The assets relating to the retirement benefit equalisation value are held in the employer surplus account and there is no cross-subsidisation between the retirement benefit equalisation value and the assets held by the fund in terms of the defined contribution section of the fund. In addition to the assets relating to 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 2014.

|  | 2014<br>R'000 | 2013<br>R'000 |
|--|---------------|---------------|
| <i>Amounts recognised in the balance sheet are as follows:</i>   |               |               |
| Fair value of plan assets (represents amounts held in employer surplus account)                            | 147 181       | 166 176       |
| Present value of funded obligations  | (8 327)       | (4 708)       |
| Pension fund asset at end of year  | 138 854       | 161 468       |
| <i>Movement in the defined benefit obligation is as follows:</i>   |               |               |
| Defined benefit obligation at beginning of year  | 4 708         | 921           |
| Current service cost   | 3 138         | 3 079         |
| Interest cost  | 688           | 383           |
| Remeasurements:  |               |               |
| Actuarial losses/(gains) arising from changes in financial assumptions                                     | 453           | (64)          |
| Actuarial (gains)/losses arising from experience adjustments   | (434)         | 633           |
| Benefits paid  | (226)         | (244)         |
| Defined benefit obligation at end of year  | 8 327         | 4 708         |
| <i>Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:</i> |               |               |
| Fair value of plan assets at beginning of year   | 166 176       | 178 100       |
| Actual return on plan assets   | 12 677        | 19 228        |
| Interest income  | 13 391        | 15 128        |
| Remeasurements:  |               |               |
| Return on plan assets, excluding amounts included in interest income                                       | (714)         | 4 100         |
| Benefits paid  | (226)         | (244)         |
| Contribution funded from employer reserves   | (31 446)      | (30 908)      |
| Fair value of plan assets at end of year   | 147 181       | 166 176       |

|   | 2014<br>R'000   | 2013<br>R'000 |
|---|-----------------|---------------|
| <b>25. RETIREMENT BENEFITS</b> CONTINUED  |                 |               |
| <b>Retirement benefit schemes</b> continued   |                 |               |
| (b) <b>Hulamin Pension fund</b> continued   |                 |               |
| <i>The fair value of plan assets comprises the employer surplus account which comprises:</i>                              |                 |               |
| Quoted market price in an active market:  |                 |               |
| Market risk portfolio   | 52 139          | 49 774        |
| Conservative portfolio  | 7               | 34 084        |
| Money market and cash   | 23 729          | 10 970        |
| Other assets:   |                 |               |
| Loan to employer company (note 15)  | 71 306          | 71 348        |
|   | <b>147 181</b>  | 166 176       |
| Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year | <b>52 027</b>   | 49 802        |
| <i>The amounts recognised in the income statement are as follows:</i>   |                 |               |
| Defined benefit plan (retirement benefit equalisation value)  | <b>(9 565)</b>  | (11 666)      |
| Current service cost  | <b>3 138</b>    | 3 079         |
| Net interest income   | <b>(12 703)</b> | (14 745)      |
| <i>Defined contribution plan</i>  | <b>32 301</b>   | 30 908        |
| Employer contribution from reserves (utilisation of employer surplus account)   | <b>31 446</b>   | 30 908        |
| Employer cash contribution  | <b>855</b>      | -             |
|   | <b>22 736</b>   | 19 242        |
| <i>Amounts recognised in other comprehensive income are as follows:</i>   |                 |               |
| Actuarial losses/(gains) arising from changes in financial assumptions  | <b>453</b>      | (64)          |
| Actuarial (gains)/losses arising from experience adjustments  | <b>(434)</b>    | 633           |
| Return on plan assets, excluding amounts included in interest income  | <b>714</b>      | (4 100)       |
| The average duration of the benefit obligation at 31 December 2014 is 24,7 years (2013: 25,8 years).                      |                 |               |
| <i>Principal actuarial assumptions at the end of the reporting period are as follows:</i>                                 |                 |               |
| Discount rate (%)   | <b>8,80</b>     | 8,90          |
| Future inflation rate (%)   | <b>6,15</b>     | 6,00          |
| Sensitivity of discount rate:   |                 |               |
| 1% increase in discount rate – effect on current service cost   | <b>(669)</b>    | (656)         |
| 1% increase in discount rate – effect on the obligation   | <b>(1 673)</b>  | (984)         |
| 1% decrease in discount rate – effect on current service cost   | <b>861</b>      | 851           |
| 1% decrease in discount rate – effect on the obligation   | <b>2 153</b>    | 1 277         |

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 maybe 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.



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|  | 2014<br>R'000   | 2013<br>R'000 |
|--|-----------------|---------------|
| <b>25. RETIREMENT BENEFITS</b> CONTINUED   |                 |               |
| <b>Post-retirement medical aid benefits</b>  |                 |               |
| 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. |                 |               |
| <i>Amounts recognised in the balance sheet are as follows:</i>   |                 |               |
| Present value of unfunded obligations  | <b>203 445</b>  | 196 870       |
| Liability in the balance sheet   | <b>203 445</b>  | 196 870       |
| <i>The liability can be reconciled as follows:</i>   |                 |               |
| Balance at beginning of year   | <b>196 870</b>  | 197 416       |
| Total expense accrued  | <b>4 030</b>    | 20 262        |
| Remeasurements:  |                 |               |
| Actuarial losses/(gains) arising from changes in financial assumptions   | <b>7 150</b>    | (1 254)       |
| Actuarial losses/(gains) arising from experience adjustments   | <b>4 302</b>    | (11 673)      |
| Benefit payments   | <b>(8 907)</b>  | (7 881)       |
| Balance at end of year   | <b>203 445</b>  | 196 870       |
| <i>Amounts recognised in the income statement are as follows:</i>  |                 |               |
| Interest costs   | <b>17 411</b>   | 16 756        |
| Current service costs  | <b>2 979</b>    | 3 506         |
| Past service costs credit adjustment (note i)  | <b>(12 030)</b> | -             |
| Settlement gains (note ii)   | <b>(4 330)</b>  | -             |
|  | <b>4 030</b>    | 20 262        |
| <i>Amounts recognised in other comprehensive income are as follows:</i>  |                 |               |
| Remeasurements:  |                 |               |
| Actuarial losses/(gains) arising from changes in financial assumptions   | <b>7 150</b>    | (1 254)       |
| Actuarial losses/(gains) arising from experience adjustments   | <b>4 302</b>    | (11 673)      |

*note i* During the year, the company changed its medical aid subsidy policy for in-service employees with effect from 1 January 2016, from which date any increases in medical aid subsidisation will be based on CPI plus 1%. This resulted in a past service costs credit adjustment in the current year.

*note ii* During the current year, the company made a voluntary offer to pensioners whereby, inter alia, pensioners could elect to accept a once-off lump sum in lieu of continuing to receive PRMA subsidy payments. The settlement gain in the current year arose from certain pensioners electing to receive a once off lump sum in lieu of future PRMA subsidy payments.

|   | 2014<br>R'000   | 2013<br>R'000 |
|---|-----------------|---------------|
| <b>25. RETIREMENT BENEFITS</b> CONTINUED  |                 |               |
| <b>Post-retirement medical aid benefits</b> continued   |                 |               |
| <i>Principal risks</i>  |                 |               |
| Through its PRMA subsidy benefit, the group is exposed to a number of risks, principally changes in:  |                 |               |
| <ul style="list-style-type: none"> <li>• Financial assumptions: <ul style="list-style-type: none"> <li>– Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability.</li> <li>– 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.</li> <li>– Medical inflation rate</li> </ul> </li> <li>• Demographic assumptions: <ul style="list-style-type: none"> <li>– Withdrawal, pre-retirement mortality and ill-health retirement rates</li> <li>– Post-retirement mortality</li> <li>– Family statistics</li> </ul> </li> </ul> |                 |               |
| 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.  |                 |               |
| <i>Principal financial assumptions:</i>   |                 |               |
| Discount rate (%)   | <b>8,80</b>     | 8,90          |
| Future company subsidy rate for pensioner and in-service members within one year of retirement (medical inflation rate) (note ii) (%)   | <b>7,90</b>     | 7,75          |
| Future company medical subsidy increase for all other in service members (note i) (%)   | <b>7,15</b>     | 7,15          |
| <i>Sensitivity of future company subsidy rate:</i>  |                 |               |
| 1% increase in future company subsidy rate  |                 |               |
| – effect on the aggregate of the service and interest costs   | <b>3 254</b>    | 3 447         |
| 1% increase in future company subsidy rate – effect on the obligation   | <b>29 428</b>   | 30 185        |
| 1% decrease in future company subsidy rate  |                 |               |
| – effect on the aggregate of the service and interest costs   | <b>(2 656)</b>  | (2 792)       |
| 1% decrease in future company subsidy rate – effect on the obligation   | <b>(24 224)</b> | (24 663)      |
| <i>Sensitivity of discount rate:</i>  |                 |               |
| 1% increase in discount rate – effect on current service cost   | <b>(471)</b>    | (538)         |
| 1% increase in discount rate – effect on the obligation   | <b>(23 764)</b> | (24 225)      |
| 1% decrease in discount rate – effect on current service cost   | <b>607</b>      | 698           |
| 1% decrease in discount rate – effect on the obligation   | <b>29 327</b>   | 30 139        |
| 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 maybe 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 2014 is 14,1 years (2013: 14,9 years). This number is analysed as follows:  |                 |               |
| – active members 20,8 years (2013: 21,5 years)  |                 |               |
| – retired members 10,0 years (2013: 10,1 years)   |                 |               |
| Estimated benefits payable by the group in the next financial year  | <b>9 115</b>    | 8 786         |

*note i* During the year, the company changed its medical aid subsidy policy for in-service employees with effect from 1 January 2016, from which date any increases in medical aid subsidisation will be based on CPI plus 1%. This resulted in a past service costs credit adjustment in the current year.

*note ii* During the current year, the company made a voluntary offer to pensioners whereby, inter alia, pensioners could elect to accept a once-off lump sum in lieu of continuing to receive PRMA subsidy payments. The settlement gain in the current year arose from certain pensioners electing to receive a once off lump sum in lieu of future PRMA subsidy payments.

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|   | 2014<br>R'000  | 2013<br>R'000 |
|---|----------------|---------------|
| <b>25. RETIREMENT BENEFITS</b> CONTINUED  |                |               |
| <b>Retirement gratuities</b>  |                |               |
| The group has in the past made discretionary payments, on retirement, to eligible employees who have remained in service until retirement age, and have completed a minimum service period. |                |               |
| The obligation is unfunded.   |                |               |
| <i>Amounts recognised in the balance sheet are as follows:</i>  |                |               |
| Present value of unfunded obligations   | <b>32 924</b>  | 28 956        |
| Liability in the balance sheet  | <b>32 924</b>  | 28 956        |
| <i>The liability can be reconciled as follows:</i>  |                |               |
| Balance at beginning of year  | <b>28 956</b>  | 35 826        |
| Total expense accrued   | <b>4 310</b>   | 5 069         |
| Remeasurements:   |                |               |
| Actuarial losses/(gains) arising from changes in financial assumptions  | <b>358</b>     | (149)         |
| Actuarial losses/(gains) arising from experience adjustments  | <b>1 181</b>   | (7 596)       |
| Gratuity payments   | <b>(1 881)</b> | (4 194)       |
| Balance at end of year  | <b>32 924</b>  | 28 956        |
| <i>Amounts recognised in the income statement are as follows:</i>   |                |               |
| Interest costs  | <b>2 545</b>   | 3 160         |
| Service costs   | <b>1 765</b>   | 1 909         |
|   | <b>4 310</b>   | 5 069         |
| <i>Amounts recognised in other comprehensive income are as follows:</i>   |                |               |
| Remeasurements:   |                |               |
| Actuarial gains arising from changes in financial assumptions   | <b>358</b>     | (149)         |
| Actuarial gains arising from experience adjustments   | <b>1 181</b>   | (7 596)       |

|   |     | 2014<br>R'000  | 2013<br>R'000 |
|---|-----|----------------|---------------|
| <b>25. RETIREMENT BENEFITS</b> CONTINUED  |     |                |               |
| <b>Retirement gratuities</b> continued  |     |                |               |
| <i>Principal risks</i>  |     |                |               |
| Through its retirement gratuity benefit, the group is exposed to a number of risks, principally changes in:   |     |                |               |
| <ul style="list-style-type: none"> <li>• Financial assumptions: <ul style="list-style-type: none"> <li>– Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability.</li> <li>– 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.</li> <li>– Salary inflation in excess of price inflation</li> </ul> </li> <li>• Demographic assumptions: <ul style="list-style-type: none"> <li>– Withdrawal, pre-retirement mortality and ill-health mortality rates</li> <li>– Post-retirement mortality</li> <li>– Family statistics</li> </ul> </li> </ul> |     |                |               |
| 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.  |     |                |               |
| <i>Principal financial assumptions:</i>   |     |                |               |
| Discount rate   | (%) | <b>8,60</b>    | 8,90          |
| Future salary inflation rate  | (%) | <b>7,40</b>    | 7,60          |
| <i>Sensitivity of future salary inflation rate:</i>   |     |                |               |
| 1% increase in future salary inflation rate   |     |                |               |
| – effect on the aggregate of the service and interest costs   |     | <b>674</b>     | 605           |
| 1% increase in future salary inflation rate – effect on the obligation  |     | <b>4 007</b>   | 3 536         |
| 1% decrease in future salary inflation rate   |     |                |               |
| – effect on the aggregate of the service and interest costs   |     | <b>(576)</b>   | (519)         |
| 1% decrease in future salary inflation rate – effect on the obligation  |     | <b>(3 482)</b> | (3 077)       |
| 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 maybe 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 2014 is 13,6 years (2013: 12,2 years).  |     |                |               |
| Estimated retirement gratuities, payable by the group during the next financial year, are R478 000.   |     |                |               |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

|   | 2014<br>R'000  | 2013<br>R'000 |
|---|----------------|---------------|
| <b>26. LEASE COMMITMENTS</b>  |                |               |
| Operating lease commitments, amounts due:   |                |               |
| Not later than one year   | <b>14 463</b>  | 12 206        |
| Later than one year and not later than five years   | <b>25 433</b>  | 28 907        |
|   | <b>39 896</b>  | 41 113        |
| In respect of:  |                |               |
| Property  | <b>499</b>     | 336           |
| Plant and machinery   | <b>39 397</b>  | 40 777        |
|   | <b>39 896</b>  | 41 113        |
| The group leases forklift trucks and offices under non-cancellable operating lease agreements.<br>The leases have varying terms, escalation clauses and renewal rights.   |                |               |
| <b>27. CAPITAL EXPENDITURE COMMITMENTS</b>  |                |               |
| Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:   |                |               |
| Property, plant and equipment   | <b>226 759</b> | 45 425        |
| Capital expenditure will be funded by a combination of external borrowings and cash flow from operations.   |                |               |
| <b>28. CONTINGENT LIABILITIES</b>   |                |               |
| The group has no contingent liabilities as at 31 December 2014 (2013: R300 000).  |                |               |
| <b>29. RELATED PARTY TRANSACTIONS</b>   |                |               |
| Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and the pension fund are disclosed below: |                |               |
| Loan from pension fund (refer note 15)  | <b>71 306</b>  | 71 348        |
| Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 30.   |                |               |

### 30. DIRECTORS' REMUNERATION AND INTEREST

Directors' and prescribed officer's remuneration during the 2014 financial year

| Director                  | Retainer fees<br>Rand | Attendance fees<br>Rand | Cash package<br>Rand | Bonus and performance related payments <sup>^</sup><br>Rand | Medical aid contributions<br>Rand | Retirement fund contributions<br>Rand | Subtotal<br>Rand  | Value of options granted <sup>#</sup><br>Rand | Total<br>Rand     | Gains on exercise of share options<br>Rand |
|---------------------------|-----------------------|-------------------------|----------------------|---|-----------------------------------|---------------------------------------|-------------------|---|-------------------|--|
| <b>Non-executive</b>      |                       |                         |                      |   |                                   |                                       |                   |   |                   |  |
| M E Mkwazazi              | 419 207               | 227 664                 |                      |   |                                   |                                       | 646 871           |   | 646 871           |  |
| L C Cele                  | 244 256               | 114 410                 |                      |   |                                   |                                       | 358 666           |   | 358 666           |  |
| V N Khumalo*              | 164 171               | 106 380                 |                      |   |                                   |                                       | 270 551           |   | 270 551           |  |
| T P Leeuw                 | 253 889               | 127 794                 |                      |   |                                   |                                       | 381 683           |   | 381 683           |  |
| J B Magwaza               | 192 657               | 82 668                  |                      |   |                                   |                                       | 275 325           |   | 275 325           |  |
| N N A Matyumza            | 238 744               | 128 679                 |                      |   |                                   |                                       | 367 423           |   | 367 423           |  |
| S P Ngwenya               | 158 659               | 74 225                  |                      |   |                                   |                                       | 232 884           |   | 232 884           |  |
| P H Staude                | 189 369               | 96 167                  |                      |   |                                   |                                       | 285 536           |   | 285 536           |  |
| S M G Jennings            | 467 656               | 243 906                 |                      |   |                                   |                                       | 711 562           |   | 711 562           |  |
| G H M Watson              | 467 579               | 248 279                 |                      |   |                                   |                                       | 715 858           |   | 715 858           |  |
| Subtotal                  | 2 796 187             | 1 450 172               | -                    | -   | -                                 | -                                     | 4 246 359         | -   | 4 246 359         | -  |
| <b>Executive</b>          |                       |                         |                      |   |                                   |                                       |                   |   |                   |  |
| R G Jacob                 |                       |                         | 3 742 488            | 1 453 320   | 94 581                            | 466 986                               | 5 757 375         | 1 903 095                                     | 7 660 470         |  |
| D A Austin                |                       |                         | 2 708 318            | 824 722   | 154 824                           | 309 758                               | 3 997 622         | 617 317                                       | 4 614 939         |  |
| M Z Mkhize                |                       |                         | 2 550 648            | 737 796   | 164 204                           | 318 006                               | 3 770 654         | 793 897                                       | 4 564 551         |  |
| Subtotal                  | -                     | -                       | 9 001 454            | 3 015 838   | 413 609                           | 1 094 750                             | 13 525 651        | 3 314 309                                     | 16 839 960        | -  |
| <b>Prescribed officer</b> |                       |                         |                      |   |                                   |                                       |                   |   |                   |  |
| H T Molale                | -                     | -                       | 1 899 780            | 735 793   | 101 224                           | 236 648                               | 2 973 445         | 532 801                                       | 3 506 246         | 168 153                                    |
| Total                     | -                     | -                       | 1 899 780            | 735 793   | 101 224                           | 236 648                               | 2 973 445         | 532 801                                       | 3 506 246         | 168 153                                    |
| <b>Total</b>              | <b>2 796 187</b>      | <b>1 450 172</b>        | <b>10 901 234</b>    | <b>3 751 631</b>  | <b>514 833</b>                    | <b>1 331 398</b>                      | <b>20 745 455</b> | <b>3 847 110</b>                              | <b>24 592 565</b> | <b>168 153</b>                             |

<sup>^</sup> The bonus payments reflected above are in relation to the 2014 year, paid in 2015.

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

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

#### Executive Committee members' remuneration during the 2014 financial year\*

|       | Cash package<br>Rand | Bonus and performance related payments <sup>^</sup><br>Rand | Medical aid contributions<br>Rand | Retirement fund contributions<br>Rand | Subtotal<br>Rand | Value of options granted<br>Rand | Total<br>Rand | Gains on exercise of share options<br>Rand |
|-------|----------------------|---|-----------------------------------|---------------------------------------|------------------|----------------------------------|---------------|--|
| Total | 7 379 034            | 2 252 990   | 347 146                           | 1 481 212                             | 11 460 382       | 2 284 484                        | 13 744 866    |  |

\* Excluding executive directors and prescribed officer.

<sup>^</sup> The bonus payments reflected above are in relation to the 2014 year, paid in 2015.

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 30. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

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

<sup>^</sup> The bonus payments reflected above are in relation to the 2013 year, paid in 2014.

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

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

1 S M G Jennings was appointed to the Board on 1 July 2013.

2 D A Austin was appointed from 1 March 2013.

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

### 30. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

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

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

<sup>^</sup> The bonus payments reflected above are in relation to the 2013 year, paid in 2014.

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

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

The interest of the directors and prescribed officers in share options of the company are shown in the table below:

##### Options related to the Hulamin share price

|                           | Adjusted option price | Expiring 10 years from | Number of options at 31 Dec 2013 | Number of options lapsed during 2014 | Number of options at 31 Dec 2014 | Options time constrained |
|---------------------------|-----------------------|------------------------|----------------------------------|--------------------------------------|----------------------------------|--------------------------|
| <b>Executive director</b> |                       |                        |                                  |                                      |                                  |                          |
| R G Jacob                 | R11,10                | 21 Apr 2004            | 3 800                            | <b>3 800</b>                         | -                                |                          |
|                           |                       |                        | 3 800                            | <b>3 800</b>                         | -                                |                          |
| M Z Mkhize                | R11,10                | 21 Apr 2004            | 3 400                            | <b>3 400</b>                         | -                                |                          |
|                           |                       |                        | 3 400                            | <b>3 400</b>                         | -                                |                          |
| Total                     |                       |                        | 7 200                            | <b>7 200</b>                         |                                  |                          |
| <b>Prescribed officer</b> |                       |                        |                                  |                                      |                                  |                          |
| H T Molale                |                       | 21 Apr 2004            | 2 300                            | <b>2 300</b>                         | -                                |                          |
| Total                     |                       |                        | 2 300                            | <b>2 300</b>                         | -                                |                          |



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

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### 30. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

Interest of directors and prescribed officers of the company in share-based instruments continued

Hulamin Limited Share Appreciation Right Scheme 2007

|                           | Number of rights granted in 2009 | Number of rights granted in 2011 | Number of rights granted in 2013 | Number of rights at Dec 2013 | Number of rights granted in 2014 | Number of rights lapsed 2014 | Number of rights at Dec 2014 | Rights time constrained |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|------------------------------|-------------------------|
| <b>Executive director</b> |                                  |                                  |                                  |                              |                                  |                              |                              |                         |
| D A Austin                |                                  |                                  | 234 243                          | 234 243                      | 196 546                          | –                            | 430 789                      | 430 789                 |
| R G Jacob                 | 98 933                           | 509 138                          | 1 018 161                        | 1 626 232                    | 633 100                          | 98 933                       | 2 160 399                    | 1 651 261               |
| M Z Mkhize                | 111 958                          | 261 503                          | 470 418                          | 843 879                      | 201 780                          | 111 958                      | 933 701                      | 672 198                 |
|                           | 210 891                          | 770 641                          | 1 722 822                        | 2 704 354                    | 1 031 426                        | 210 891                      | 3 524 889                    | 2 754 248               |
| <b>Prescribed officer</b> |                                  |                                  |                                  |                              |                                  |                              |                              |                         |
| H T Molale                | 55 500                           | 167 931                          | 301 714                          | 525 145                      | 150 157                          | 55 500                       | 619 802                      | 451 871                 |
|                           | 55 500                           | 167 931                          | 301 714                          | 525 145                      | 150 157                          | 55 500                       | 619 802                      | 451 871                 |
| Grant price               | R11,50                           | R6,91                            | R4,56                            |                              | R6,80                            |                              |                              |                         |
| Grant date                | 24 Jul 2009                      | 25 May 2011                      | 25 Feb 2013                      |                              | 24 Apr 2014                      |                              |                              |                         |
| Grant price               |                                  |                                  | R4,01                            |                              |                                  |                              |                              |                         |
| Grant date                |                                  |                                  | 27 May 2013                      |                              |                                  |                              |                              |                         |

Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions

|                           | Number of rights granted in 2009 | Number of rights granted in 2011 | Number of rights granted in 2013 | Number of rights at Dec 2013 | Number of rights granted in 2014 | Number of rights lapsed 2014 | Number of rights at Dec 2014 | Rights time constrained |
|---------------------------|----------------------------------|----------------------------------|----------------------------------|------------------------------|----------------------------------|------------------------------|------------------------------|-------------------------|
| <b>Executive director</b> |                                  |                                  |                                  |                              |                                  |                              |                              |                         |
| D A Austin                |                                  |                                  | 102 232                          | 102 232                      | 85 780                           | –                            | 188 012                      | 188 012                 |
| R G Jacob                 |                                  | 262 006                          | 381 132                          | 643 138                      | 236 998                          | 262 006                      | 618 130                      | 618 130                 |
| M Z Mkhize                |                                  | 134 578                          | 205 430                          | 340 008                      | 88 064                           | 134 578                      | 293 494                      | 293 494                 |
|                           | –                                | 396 584                          | 688 794                          | 1085 378                     | 410 842                          | 396 584                      | 1 099 636                    | 1 099 636               |
| <b>Prescribed officer</b> |                                  |                                  |                                  |                              |                                  |                              |                              |                         |
| H T Molale                |                                  | 86 422                           | 131 757                          | 218 179                      | 65 534                           | 86 422                       | 197 291                      | 197 291                 |
|                           | –                                | 86 422                           | 131 757                          | 218 179                      | 65 534                           | 86 422                       | 197 291                      | 197 291                 |
| Grant price               |                                  | R6,91                            | R4,56                            |                              | R6,80                            |                              |                              |                         |
| Grant date                |                                  | 25 May 2011                      | 25 Feb 2013                      |                              | 24 Apr 2014                      |                              |                              |                         |
| Grant price               |                                  |                                  | R4,01                            |                              |                                  |                              |                              |                         |
| Grant date                |                                  |                                  | 27 May 2013                      |                              |                                  |                              |                              |                         |

### 30. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

##### Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

|                           | Number of conditional awards granted in 2012 | Number of conditional awards granted in 2013 | Number of conditional awards at Dec 2013 | Number of conditional awards granted in 2014 | Number of conditional awards lapsed 2014 | Number of conditional awards at Dec 2014 | Conditional awards time constrained |
|---------------------------|--|--|--|--|--|--|-------------------------------------|
| <b>Executive director</b> |  |  |  |  |  |  |                                     |
| D A Austin                |  | 179 073                                      | 179 073                                  | 28 583                                       |  | 207 656                                  | 207 656                             |
| R G Jacob                 |  | 127 186                                      | 127 186                                  | 78 999                                       |  | 206 185                                  | 206 185                             |
| M Z Mkhize                |  | 68 476                                       | 68 476                                   | 29 355                                       |  | 97 831                                   | 97 831                              |
|                           |  | 374 735                                      | 374 735                                  | 136 937                                      | -  | 511 672                                  | 511 672                             |
| <b>Prescribed officer</b> |  |  |  |  |  |  |                                     |
| H T Molale                |  | 43 919                                       | 43 919                                   | 21 845                                       |  | 65 764                                   | 65 764                              |
|                           | -  | 43 919                                       | 43 919                                   | 21 845                                       | -  | 65 764                                   | 65 764                              |
| Grant price               |  | R4,56  |  | R6,80  |  |  |                                     |
| Grant date                |  | 25 Feb 2013                                  |  | 24 Apr 2014                                  |  |  |                                     |
| Grant price               |  | R4,60  |  |  |  |  |                                     |
| Grant date                |  | 1 Mar 2013                                   |  |  |  |  |                                     |
| Grant price               |  | R4,01  |  |  |  |  |                                     |
| Grant date                |  | 27 May 2013                                  |  |  |  |  |                                     |

##### Hulamin Limited deferred bonus plan 2007

|                           | Number of conditional awards granted in 2012 | Number of conditional awards granted in 2013 | Number of conditional awards at Dec 2013 | Number of conditional awards granted in 2014 | Number of conditional awards lapsed 2014 | Number of conditional awards at Dec 2014 | Conditional awards time constrained |
|---------------------------|--|--|--|--|--|--|-------------------------------------|
| <b>Executive director</b> |  |  |  |  |  |  |                                     |
| R G Jacob                 | 24 669                                       | 32 534                                       | 57 203                                   | -  | -  | 57 203                                   | 57 203                              |
|                           | 24 669                                       | 32 534                                       | 57 203                                   | -  | -  | 57 203                                   | 57 203                              |
| <b>Prescribed officer</b> |  |  |  |  |  |  |                                     |
| H T Molale                |  |  |  |  |  |  |                                     |
|                           |  |  |  | -  | -  | -  | -                                   |
| Grant price               | R7,60  | R4,55  |  |  |  |  |                                     |
| Grant date                | 16 Apr 2012                                  | 4 Mar 2013                                   |  |  |  |  |                                     |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 30. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

The aggregate holdings as at 31 December 2014 of those directors of the company holding issued ordinary shares of the company are detailed below:

| As at 31 December 2014 | Direct beneficial shares | Indirect beneficial shares | Held by associates | Shares total |
|------------------------|--------------------------|----------------------------|--------------------|--------------|
| <b>Executive</b>       |                          |                            |                    |              |
| R G Jacob              | 128 803                  |                            |                    | 128 803      |
| M Z Mkhize             | 75 668                   |                            |                    | 75 668       |
|                        | 204 471                  | -                          | -                  | 204 471      |
| <b>Non-executive</b>   |                          |                            |                    |              |
| L C Cele               | 10 000                   |                            |                    | 10 000       |
| J B Magwaza            | 5 760                    |                            |                    | 5 760        |
| P H Staude             | 91 610                   |                            |                    | 91 610       |
|                        | 107 370                  | -                          | -                  | 107 370      |
| Total                  | 311 841                  | -                          | -                  | 311 841      |

There have been no changes in the above interests between the year-end and 19 February 2015.

| As at 31 December 2013 | Direct beneficial shares | Indirect beneficial shares | Held by associates | Shares total |
|------------------------|--------------------------|----------------------------|--------------------|--------------|
| <b>Executive</b>       |                          |                            |                    |              |
| R G Jacob              | 118 897                  |                            |                    | 118 897      |
| M Z Mkhize             | 75 668                   |                            |                    | 75 668       |
|                        | 194 565                  | -                          | -                  | 194 565      |
| <b>Non-executive</b>   |                          |                            |                    |              |
| L C Cele               | 10 000                   |                            |                    | 10 000       |
| J B Magwaza            | 5 760                    |                            |                    | 5 760        |
| P H Staude             | 91 610                   |                            |                    | 91 610       |
|                        | 107 370                  | -                          | -                  | 107 370      |
| Total                  | 301 935                  | -                          | -                  | 301 935      |

## 31. SHARE-BASED PAYMENTS

### Employee share incentive schemes

Details of awards in terms of the company's share incentive schemes are as follows:

#### 31.1 The Tongaat-Hulett Group Limited 2001 Share Option Scheme

Participating employees were originally awarded share options over Tongaat Hulett shares. On vesting, the employee was entitled to exercise the options and purchase the shares at the option price.

As a result of the unbundling from Tongaat Hulett, participants in these share option schemes who had not exercised their options at the unbundling date converted their existing Tongaat Hulett options into two options: a Tongaat Hulett option and a Hulamín option. Hulamín is obliged to settle all benefits under these share schemes in relation to its own employees using Hulamín shares which will be purchased in the market or issued by Hulamín. The benefit for the Hulamín option will be determined with reference to the Hulamín share price, and the Tongaat Hulett option with respect to the Tongaat Hulett share price.

The original exercise price of each Tongaat Hulett option was apportioned between the Tongaat Hulett and Hulamín options with reference to the volume-weighted average prices (VWAP) of both companies for the first 22 trading days after the unbundling. The 22-day VWAPs were R93,89 and R29,04 respectively, with the expiry date being the same as that of the original options. The modification did not result in any incremental fair value being granted to option holders.

No further awards to Hulamín employees will be made under these schemes.

| Tongaat Hulett modified grant price | Estimated weighted average fair value per option | Expiring ten years from | Number of options at 31 Dec 2013 | Options exercised in 2014 | Options forfeited in 2014 | Number of options at 31 Dec 2014 | Options time constrained |
|-------------------------------------|--|-------------------------|----------------------------------|---------------------------|---------------------------|----------------------------------|--------------------------|
| R35,90                              | R11,03   | 21 Apr 2004             | 28 900                           | <b>28 900</b>             | -                         | -                                |                          |
|                                     |  |                         | 28 900                           | <b>28 900</b>             | -                         | -                                |                          |

| Hulamín modified grant price | Estimated weighted average fair value per option | Expiring ten years from | Number of options at 31 Dec 2013 | Options expired in 2014 | Options forfeited in 2014 | Number of options at 31 Dec 2014 | Options time constrained |
|------------------------------|--|-------------------------|----------------------------------|-------------------------|---------------------------|----------------------------------|--------------------------|
| R11,10                       | R3,60  | 21 Apr 2004             | 121 100                          | <b>121 100</b>          | -                         | -                                |                          |
|                              |  |                         | 121 100                          | <b>121 100</b>          | -                         | -                                |                          |

The estimated fair value of the share options at grant date was determined using a binomial tree valuation model. Options were exercised during the year. The volume-weighted average share prices during the year for Tongaat Hulett and Hulamín shares were R141,33 and R7,15 respectively.

The significant inputs into the model for the 2003/4 awards were:

|                           |   |
|---------------------------|---|
| Share price at grant date | The share price at the date on which the share option is issued, as noted above |
| Grant price               | The grant price as noted above  |
| Expected option life      | 114 months (assumed leaving percentage of 5%)                                   |
| Risk-free interest rate   | 9,02%   |
| Expected volatility       | 35% – based on historical volatility  |
| Expected dividends        | A continuous dividend yield of 3,9% was used                                    |
| Expected early exercise   | Early exercise is taken into account on an expectation basis                    |
| Vesting conditions:       |   |
| – Time                    | Service obligations of between two and four years                               |
| – Non-market              | None  |
| – Market                  | None  |
| – Expected remaining life | nil   |
| – Contractual life        | 120 months  |

# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

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## 31. SHARE-BASED PAYMENTS CONTINUED

### Employee share incentive schemes continued

#### 31.2 Hulamin Limited Share Appreciation Right Scheme 2007

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

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

| Grant price | Estimated weighted average fair value per right | Expiring seven years from | Number of rights at 31 Dec 2013 | Rights granted in 2014 | Rights exercised in 2014 | Rights forfeited/lapsed in 2014 | Number of rights at 31 Dec 2014 | Rights time constrained |
|-------------|---|---------------------------|---------------------------------|------------------------|--------------------------|---------------------------------|---------------------------------|-------------------------|
| R11,50      | R4,76   | 24 Jul 2009               | 3 651 789                       |                        |                          | 3 651 789                       |                                 | -                       |
| R6,91       | R1,91   | 25 May 2011               | 6 448 266                       |                        | 1 174 975                | 417 518                         | 4 855 773                       | -                       |
| R3,60       | R0,81   | 22 Oct 2012               | 1 871 101                       |                        | 77 945                   |                                 | 1 793 156                       | 1 793 156               |
| R4,56       | R1,35   | 25 Feb 2013*              | 1 838 425                       |                        | 155 398                  | 31 079                          | 1 651 948                       | 1 651 948               |
| R4,01       | R1,24   | 27 May 2013               | 4 131 109                       |                        | 88 628                   | 88 628                          | 3 953 853                       | 3 953 853               |
| R6,90       | R2,73   | 24 Apr 2014               |                                 | 3 450 310              |                          | 157 059                         | 3 293 251                       | 3 293 251               |
|             |   |                           | 17 940 690                      | 3 450 310              | 1 496 946                | 4 346 073                       | 15 547 981                      | 10 692 208              |

\* On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.

The volume-weighted average share price during the year for Hulamin shares was R7,15.

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

|                           |   |
|---------------------------|---|
| Share price at grant date | 2014 award: R6,90<br>(2013 awards: R4,56 (February); R4,01 (May); 2012 award: R3,60; 2011 award: R6,91; 2009 award: R11,50)   |
| Grant price               | The grant price as noted above  |
| Risk-free interest rate   | 2014 award: 8,17%<br>(2013 awards: 6,44%; 2012 award: 6,38%; 2011 award: 7,98%; 2009 award: 8,73%)  |
| Expected volatility       | 2014 award: 42,22%<br>(2013 awards: 42,70% (February); 42,98% (May); 2012 award: 40,33%; 2011 award: 38,09%; 2009 award: 41,80%)  |
| Expected dividends        | 2014 award: 0,5%<br>(2013 awards: 4,0% (May); 4,0% (February); 2012 award: 9,85%; 2011 award: 7,56%; 2009 award: 6,54%)   |
| Vesting conditions:       |   |
| - Time                    | Three years   |
| - Non-market              | An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee. Retesting of the performance condition was allowed in respect of the 2009 grant. |
| - Market                  | None  |
| - Expected remaining life | 2014 award: 76 months<br>(2013 awards: 65 months; 2012 award: 58 months; 2011 award: 41 months; 2009 award: nil)  |
| - Contractual life        | 84 months   |

## 31. SHARE-BASED PAYMENTS CONTINUED

### Employee share incentive schemes continued

#### 31.3 Hulam Limited Long Term Incentive Scheme 2007 (with performance conditions)

Under the Long Term Incentive Plan, participating employees are granted conditional awards. These awards are converted into shares in Hulam on the achievement of Return on Capital Employed (ROCE) and Total Shareholders' Return (TSR) performance conditions over a three-year period.

| Estimated weighted average fair value per right | Expiring three years from | Number of conditional awards at 31 Dec 2013 | Conditional awards granted in 2014 | Conditional awards exercised in 2014 | Conditional awards lapsed/forfeited in 2014 | Number of conditional awards at 31 Dec 2014 | Conditional awards time constrained |
|---|---------------------------|---|------------------------------------|--------------------------------------|---|---|-------------------------------------|
| R4,40   | 25 May 2011               | 1 185 082                                   |                                    |                                      | 1 185 082                                   | –   | –                                   |
| R1,10   | 22 Oct 2012               | 1 681 839                                   |                                    | 9 580                                | 148 039                                     | 1 524 220                                   | 1 524 220                           |
| R1,97   | 25 Feb 2013*              | 691 226                                     |                                    | 21 219                               | 60 261                                      | 609 746                                     | 609 746                             |
| R3,28   | 27 May 2013               | 2 508 263                                   |                                    | 44 650                               | 113 052                                     | 2 350 561                                   | 2 350 561                           |
| R6,35   | 24 Apr 2014               |   | 3 032 483                          | 16 045                               | 112 246                                     | 2 904 192                                   | 2 904 192                           |
|   |                           | 6 066 410                                   | 3 032 483                          | 91 494                               | 1 618 680                                   | 7 388 719                                   | 7 388 719                           |

\* On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.

The volume-weighted average share price during the year for Hulam shares was R7,15.

The estimated fair value of these conditional share awards at the grant date was determined using a Monte Carlo Simulation model, based on the following significant inputs:

|                           |  |
|---------------------------|--|
| Share price at grant date | 2014 award: R6,90<br>(2013 awards: R4,56 (February); R4,01 (May); 2012 award: R3,60; 2011 award: R6,91)      |
| Grant price               | The grant price as noted above   |
| Risk-free interest rate   | 2014 award: 7,26%<br>(2013 award: 5,33%; 2012 award: 5,19%; 2011 award: 7,05%)                               |
| Expected volatility       | 2014 award: 46,74%<br>(2013 awards: 45,48% (February); 46,03% (May); 2012 award: 39,11%; 2011 award: 38,24%) |
| Expected dividends        | 2014 award: 0,5%<br>(2013 awards: 4,0% (May); 4,0% (February); 2012 award: 6,15%; 2011 award: 3,01%)         |
| Vesting conditions:       |  |
| – Time                    | Three years  |
| – Non-market              | Return on capital employed (ROCE)  |
| – Market                  | Total shareholders' return (TSR)   |
| – Expected remaining life | 2014 award: 28 months<br>(2013 awards: 17 months (May); 10 months (February); 2012 award: 10 months)         |
| – Contractual life        | 36 months  |

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 31. SHARE-BASED PAYMENTS CONTINUED

#### Employee share incentive schemes continued

#### 31.4 Hulam Limited Long Term Incentive Scheme 2007 (without performance conditions)

Under the Long Term Incentive Plan, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

| Estimated weighted average fair value per right | Expiring 3 years from | Number of conditional awards at 31 Dec 2013 | Conditional awards granted in 2014 | Conditional awards exercised in 2014 | Conditional awards lapsed/ forfeited in 2014 | Number of conditional awards at 31 Dec 2014 | Conditional awards time constrained |
|---|-----------------------|---|------------------------------------|--------------------------------------|--|---|-------------------------------------|
| R2,98   | 22 Oct 2012           | 540 122                                     |                                    | 10 219                               | 21 833                                       | 508 070                                     | 508 070                             |
| R4,11   | 25 Feb 2013           | 329 092                                     |                                    | 22 633                               | 4 527  | 301 932                                     | 301 932                             |
| R4,11   | 1 Mar 2013            | 144 996                                     |                                    |                                      |  | 144 996                                     | 144 996                             |
| R3,64   | 27 May 2013           | 834 282                                     |                                    | 21 018                               | 31 481                                       | 781 783                                     | 781 783                             |
| R6,82   | 24 Apr 2014           |   | 1 125 905                          | 6 866                                | 35 898                                       | 1 083 141                                   | 1 083 141                           |
|   |                       | 1 848 492                                   | 1 125 905                          | 60 736                               | 93 739                                       | 2 819 922                                   | 2 819 922                           |

\* On 25 February 2013 a grant was made to a group of employees who had been excluded from the grant made on 22 October 2012. The term of the award was 32 months to vest on 22 October 2015.

The volume-weighted average share price during the year for Hulam shares was R7,15.

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

|                           |  |
|---------------------------|--|
| Share price at grant date | 2014 award: R6,90<br>(2013 awards: R4,01 (May); R4,60 (March); R4,56 (February); 2012 award: R3,60)  |
| Grant price               | The grant price as noted above   |
| Risk-free interest rate   | 2014 award: 7,26%<br>(2013 awards: 5,33%; 2012 award: 5,19%)   |
| Expected volatility       | 2014 award: 46,74%<br>(2013 awards: 46,03% (May); 45,48% (February); 2012 award: 39,11%)             |
| Expected dividends        | 2014 award: 0,50%<br>(2013 awards: 4,0% (May); 4,0% (February); 2012 award: 6,15%)                   |
| Vesting conditions:       |  |
| - Time                    | Three years  |
| - Non-market              | None   |
| - Market                  | None   |
| - Expected remaining life | 2014 award: 28 months<br>(2013 awards: 17 months (May); 10 months (February); 2012 award: 10 months) |
| - Contractual life        | 36 months  |

## 31. SHARE-BASED PAYMENTS CONTINUED

### Employee share incentive schemes continued

#### 31.5 Hulamin Limited Deferred Bonus Plan 2007

Under the Deferred Bonus Plan, participating employees purchase shares in Hulamin with a portion of their after-tax bonus. These pledged shares are held in escrow for a qualifying period, after which Hulamin awards the employee a number of shares in Hulamin Limited which match those pledged shares released from escrow.

| Estimated weighted average fair value per award | Grant date  | Number of conditional awards at 31 Dec 2013 | Conditional awards granted in 2014 | Conditional awards exercised in 2014 | Number of conditional awards 31 Dec 2014 | Conditional awards time constrained |
|---|-------------|---|------------------------------------|--------------------------------------|--|-------------------------------------|
| R6,91   | 16 Apr 2012 | 37 649                                      |                                    |                                      | 37 649                                   | 37 649                              |
| R3,73   | 4 Mar 2013  | 54 220                                      |                                    |                                      | 54 220                                   | 54 220                              |
| R6,74   | 14 Mar 2014 |   | 14 907                             |                                      | 14 907                                   | 14 907                              |
|   |             | 91 869                                      | 14 907                             | –                                    | 106 776                                  | 106 776                             |

The volume-weighted average share price during the year for Hulamin shares was R7,15.

The estimated fair value costing of these deferred bonus share awards was based on the following significant inputs:

|                           |  |
|---------------------------|--|
| Share price at grant date | 2014 awards: R6,84<br>(2013 award: R4,55; 2012 award: R7,60; 2010 award: R8,93)  |
| Expected dividends        | The measurement of the fair value of the deferred bonus shares did not take into account dividends, as no dividend payment was expected. |
| Expected early exercise   | Early exercise is taken into account on an expectation basis.  |
| Vesting conditions:       |  |
| – Time                    | Three years  |
| – Non-market              | None   |
| – Market                  | None   |
| – Expected remaining life | 2014 award: 27 months<br>(2013 award: 15 months; 2012: 4 months)   |
| – Contractual life        | 36 months  |

The Deferred Bonus Shares were purchased by the participating employees on 20 April 2012, 13 March 2013 and 26 March 2014 in terms of the 2012, 2013 and 2014 awards respectively.



## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 31. SHARE-BASED PAYMENTS CONTINUED

#### 31.6 BEE equity transaction

During the 2007 financial year, Hulamín concluded agreements with BEE partners to facilitate the acquisition of an effective 10% interest in Hulamín.

The BEE partners subscribed for 10% of the ordinary share capital of Hulamín Operations (Pty) Ltd (OPCO) at a cost of R37 500 000 and for 25 million A ordinary shares in Hulamín at a cost of R2 500 000. The BEE partners were entitled to exchange their OPCO shares for shares of an equivalent value in Hulamín seven years after the grant date, and on surrender of the A ordinary shares. For accounting purposes the fair value of the transaction at grant date of R134 686 000, which was expensed in full in the 2007 financial year, was determined using a Monte Carlo simulation model based on the following significant inputs:

|                           |  |
|---------------------------|--|
| Share price at grant date | R34,10   |
| Grant date                | 11 June 2007   |
| Expected option life      | Seven years  |
| Lock-in period            | Further three years  |
| Risk-free interest rate   | Forward swap curve   |
| Expected volatility       | 30%. As Hulamín's shares were only listed a short time before grant date, the valuations of appropriate proxy companies were used to estimate the expected Hulamín share price volatility. |
| Expected dividends        | A dividend yield of 2,3% was used.   |

The BEE transaction matured on or about 9 July 2014, this has resulted in a deconsolidation of Chaldean from the Hulamín group, including cumulative retained earnings of R5 020 000. The company has repurchased 36 235 470 A ordinary shares from Chaldean at par value (R3 624 000) in terms of BEE transaction agreements. An additional share-based payment charge of R3 624 000 has been recognised in respect of this repurchase. As a result of the maturing of the transaction, the BEE reserve amounting to R174 686 000, reflecting the share-based payment costs of the transaction at grant date (including R40 000 000 contribution by the BEE partners), has been transferred to retained earnings.

## 32. DETAILS OF INVESTMENTS IN ASSOCIATES, SUBSIDIARY COMPANIES AND JOINT VENTURES

The financial statements of the group include the financial statements of the company and the associates, subsidiary companies and joint ventures listed in the following table:

| Name                               | Country of incorporation | % Equity interest<br>2014 | % Equity interest<br>2013 |
|------------------------------------|--------------------------|---------------------------|---------------------------|
| <b>Subsidiaries</b>                |                          |                           |                           |
| Hulamin Rolled Products (Pty) Ltd* | South Africa             | 100                       | 100                       |
| Hulamin Systems (Pty) Ltd*         | South Africa             | 100                       | 100                       |
| Hulamin Operations (Pty) Ltd       | South Africa             | 100                       | 90                        |
| Hulamin Extrusions (Pty) Ltd*      | South Africa             | 100                       | 100                       |
| Hulamin North America LLC*         | United States of America | 100                       | 100                       |
| <b>Associates</b>                  |                          |                           |                           |
| Almin Metal Industries Limited**   | Zimbabwe                 | 49                        | 49                        |

\* Subsidiaries of Hulamin Operations (Pty) Ltd.

\*\* Investment held by Hulamin Extrusions (Pty) Ltd.

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

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

During the current financial year Hulamin acquired a 40% equity interest in Isizinda, a company established during the year with a nominal share capital. Isizinda signed an agreement to acquire the Bayside casthouse from BHP Billiton on 23 November 2014. The effective date of the transaction is expected to be 1 April 2015, subject to Competition Commission approval.

All the investments are unlisted.

# NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

## 33. FINANCIAL RISK MANAGEMENT

### 33.1 Financial risk factors

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The group's financial risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance, and uses derivative financial instruments to hedge certain risk exposures.

Hedging is carried out by a central treasury department (group treasury) under policies approved by the board of directors, and in close cooperation with the group's operating units.

#### MARKET RISK

##### Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities that are denominated in a currency that is not the group's functional currency, which is South African Rand. The group's risk management policy is to hedge its currency exposure related to import transactions, foreign currency assets and export transactions. Aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge all currency exposure on aluminium, while the value added portion of export transactions is hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the US Dollar at 31 December, the after tax profit for the year would have been lower or higher by R6 492 000 (2013: higher or lower by R151 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of US Dollar denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains or losses in currency derivatives. Profit was no more sensitive to movements in currency exchange rates in 2014 than in 2013, as all foreign currency denominated assets and liabilities are hedged through foreign exchange contracts. The above change in currency exchange rates would have resulted in equity being lower or higher by R41 201 000 (2013: R46 052 000). The change in equity is mainly from foreign exchange losses or gains on translation of US Dollar-denominated cash-flow hedging instruments.

##### Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash and profit, the approach is to hedge approximately 50% of the risk using futures contracts. At 31 December 2014, 51% (2013: 47%) of the risk was hedged.

For every 5% weakening or strengthening of the price of aluminium at 31 December, after tax profit for the year would have been lower or higher by R1 183 000 (2013: higher or lower by R3 213 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in aluminium prices is a result of commodity price gains or losses on aluminium futures contracts that were all hedge accounted in 2014 and 2013. For this reason, profit was no more sensitive to movement in commodity prices in 2014 than in 2013. The above change in aluminium prices would have resulted in equity being lower or higher by R18 272 000 (2013: R16 643 000). The change in equity is mainly from losses or gains on translation of US Dollar-denominated cash-flow hedging instruments.

##### Interest rate risk

The group has no significant interest-bearing assets and interest rate risk is solely related to borrowings. The group's borrowings bear interest at variable rates and it had not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after tax profit (2013: nil) and no effect on equity (2013: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period end net debt, the interest expense for the year would have been higher or lower by R2 170 000 (2013: R3 063 000).

The group analyses the impact on profit and loss of defined interest rate shifts – taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. The analysis is only for liabilities that represent the major interest-bearing positions.

#### CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with a major London Metal Exchange broker which carries a BBB- credit rating, per Standard and Poor's. Foreign currency counterparty rating of all banks transacted with, as rated by Standard and Poor's, is BBB- which equals South Africa's rating.

### 33. FINANCIAL RISK MANAGEMENT CONTINUED

#### 33.1 Financial risk factors continued

##### CREDIT RISK continued

Hulamin's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 8 to the annual financial statements. The creditworthiness of new customers is assessed when credit is first extended and is reviewed on a monthly basis thereafter. The establishment and subsequent maintenance of credit limits is, in the majority of cases, based on the specific amount of credit insurance that can be secured for each new customer. The value of all trade receivables covered by insurance is detailed in note 8.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (note 9) and trade and other receivables (note 8).

##### LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, flexibility in funding is maintained through ensuring availability under committed credit lines. Management monitors rolling forecasts of the group's liquidity reserve, being the excess of available facilities over forecast net borrowings.

The group's facility utilisation at the period end was:

|                              | Note | 2014<br>R'000 | 2013<br>R'000 |
|------------------------------|------|---------------|---------------|
| Total borrowing facilities   |      | 1 521 348     | 1 521 348     |
| Less: Current borrowings     | 15   | (686 144)     | (804 482)     |
| Committed undrawn facilities |      | 835 204       | 716 866       |

The total borrowing facilities include a general short-term facility of R250 million and facilities of R1 200 million that are committed for a further two years but, as each drawdown against the R1 200 million is repayable within 12 months, are classified as current. The repayment of each drawdown can either be through cash generated within the business or through a new replacement drawdown (a revolving facility). A pension fund loan facility of R71 million also exists.

There are no financial liabilities with contractual maturity dates beyond a year from 31 December 2014. Financial liabilities with maturity dates less than one year comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

The table below summarises the maturity profile of the group's financial liabilities based on contractual undiscounted payments:

|  | Less than one year<br>R'000 | One to two years<br>R'000 | Two to three years<br>R'000 | Three to four years<br>R'000 | Greater than four years<br>R'000 | Total<br>R'000 |
|--|-----------------------------|---------------------------|-----------------------------|------------------------------|----------------------------------|----------------|
| <b>2014</b>  |                             |                           |                             |                              |                                  |                |
| Current borrowings   | 686 144                     |                           |                             |                              |                                  | 686 144        |
| Trade and other payables (excluding employee benefit payables) | 888 031                     |                           |                             |                              |                                  | 888 031        |
| Derivative financial liabilities                               | 70 519                      |                           |                             |                              |                                  | 70 519         |
|  | 1 644 694                   | -                         | -                           | -                            | -                                | 1 644 694      |
| <b>2013</b>  |                             |                           |                             |                              |                                  |                |
| Current borrowings   | 804 482                     |                           |                             |                              |                                  | 804 482        |
| Trade and other payables (excluding employee benefit payables) | 752 024                     |                           |                             |                              |                                  | 752 024        |
| Derivative financial liabilities                               | 65 357                      |                           |                             |                              |                                  | 65 357         |
|  | 1 621 863                   | -                         | -                           | -                            | -                                | 1 621 863      |

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R976 212 000 (2013: R841 809 000) which are payable within a period of three months, including trade payables in the amount of R779 627 000 (2013: R641 795 000). Trade receivables amounting to R745 266 000 (2013: R749 508 000) are recoverable within a period of three months.

## NOTES TO THE GROUP FINANCIAL STATEMENTS | CONTINUED

for the year ended 31 December 2014

### 33. FINANCIAL RISK MANAGEMENT CONTINUED

#### 33.2 Capital risk management

The group's objectives when managing capital are to maintain the optimum mix of liquidity and low cost of capital and to be able to finance future growth.

These objectives result in varying capital ratios, with current and future borrowings being evaluated against the group's expected operating cash flows and capital investment needs. Capital adequacy and liquidity are managed by monitoring gearing ratios, interest cover and debt service ratios.

The group's gearing ratio at the period end was as follows:

|   | Notes | 2014<br>R'000 | 2013<br>R'000 |
|---|-------|---------------|---------------|
| Current borrowings                          | 15    | 686 144       | 804 482       |
| Total borrowings                            |       | 686 144       | 804 482       |
| Less: Cash and cash equivalents             | 10    | (249 106)     | (192 800)     |
| Net borrowings                              |       | 437 038       | 611 682       |
| Total equity                                |       | 3 833 817     | 3 402 810     |
| Total capital                               |       | 4 270 855     | 4 014 492     |
| Gearing ratio (net debt over total capital) | (%)   | 10            | 15            |

### 34. POST BALANCE SHEET EVENTS

No material changes have taken place in the affairs of the group between the end of the financial year and the date of this report.