

# GROUP BALANCE SHEET

## AS AT 31 DECEMBER 2015

	Notes	2015 R'000	2014 R'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	3 166 800	2 697 148
Intangible assets	4	66 917	59 777
Retirement benefit asset	27	142 292	138 854
Deferred tax asset	6	20 260	25 450
		<b>3 396 269</b>	2 921 229
<b>Current assets</b>			
Inventories	7	1 784 805	1 958 934
Trade and other receivables	8	1 384 390	1 037 909
Derivative financial assets	9	8 457	44 175
Cash and cash equivalents	10	70 158	249 106
Income tax asset		12 461	2 808
Asset held for sale	5	–	55 217
		<b>3 260 271</b>	3 348 149
<b>Total assets</b>		<b>6 656 540</b>	6 269 378
<b>EQUITY</b>			
Share capital and share premium	12	1 817 580	1 817 580
BEE reserve	11, 33.5	51 224	–
Employee share-based payment reserve		45 707	41 411
Hedging reserve		(92 122)	6 614
Retained earnings		2 032 128	1 968 212
<b>Total equity</b>		<b>3 854 517</b>	3 833 817
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Non-current borrowings	13	216 000	–
Deferred tax liability	14	486 765	477 702
Retirement benefit obligations	15, 27	227 997	236 369
		<b>930 762</b>	714 071
<b>Current liabilities</b>			
Trade and other payables	16	806 210	964 827
Current borrowings	13, 17	829 401	686 144
Derivative financial liabilities	9	235 650	70 519
		<b>1 871 261</b>	1 721 490
<b>Total liabilities</b>		<b>2 802 023</b>	2 435 561
<b>Total equity and liabilities</b>		<b>6 656 540</b>	6 269 378

# GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 R'000	2014 R'000
<b>Revenue</b>		<b>8 394 986</b>	8 038 918
Cost of sales	19	(7 855 025)	(7 119 966)
<b>Gross profit</b>		<b>539 961</b>	918 952
Selling, marketing and distribution expenses	19	(382 204)	(403 104)
Administrative and other expenses	19	(111 050)	(88 781)
Impairment reversal	20	–	43 405
Other gains and losses	18	248 773	114 661
<b>Operating profit</b>		<b>295 480</b>	585 133
Interest income	21	2 085	2 453
Interest expense	21	(68 577)	(48 160)
<b>Profit before tax</b>		<b>228 988</b>	539 426
Taxation	22	(65 274)	(154 498)
<b>Net profit for the year attributable to equity holders of the company</b>		<b>163 714</b>	384 928
<b>Earnings per share</b>	23		
Basic	(cents)	51	120
Diluted	(cents)	50	118

# GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>Net profit for the year attributable to equity holders of the company</b>	<b>163 714</b>	384 928
<b>Other comprehensive (loss)/income for the year</b>	<b>(78 063)</b>	28 037
Items that may be reclassified subsequently to profit or loss	<b>(98 736)</b>	37 919
Cash flow hedges transferred to income statement	(9 186)	43 480
Cash flow hedges created	(127 947)	9 186
Income tax effect	38 397	(14 747)
Items that will not be reclassified to profit or loss	<b>20 673</b>	(9 882)
Remeasurement of retirement benefit obligation	25 134	(12 991)
Remeasurement of retirement benefit asset	3 578	(733)
Income tax effect	(8 039)	3 842
<b>Total comprehensive income for the year attributable to equity holders of the company</b>	<b>85 651</b>	412 965

# GROUP STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Share capital R'000	Share premium R'000	Con- solidated shares R'000	Hedging reserve R'000	Employee share- based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
<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	-	-	-	-	-	-	384 928	384 928
Other comprehensive income net of tax								
- Cash flow hedges	-	-	-	37 919	-	-	-	37 919
- Retirement benefit assets and obligations	-	-	-	-	-	-	(9 882)	(9 882)
Ordinary shares issued	34	-	-	-	-	-	-	34
A ordinary shares redeemed	(3 624)	-	-	-	-	-	-	(3 624)
Share-based payment costs on A ordinary shares redeemed (note 33.5)	-	-	-	-	-	-	3 624	3 624
Value of employee services (note 19.1)	-	-	-	-	15 156	-	-	15 156
Settlement of employee share incentives	-	-	-	-	(3 465)	-	669	(2 796)
Tax on employee share incentives	-	-	-	-	-	-	7 044	7 044
Deconsolidation of structured entity	-	-	3 624	-	-	-	(5 020)	(1 396)
Transfer of BEE reserve to retained earnings	-	-	-	-	-	(174 686)	174 686	-
<b>Balance at 31 December 2014</b>	31 960	1 785 620	-	6 614	41 411	-	1 968 212	3 833 817
Net profit for the year	-	-	-	-	-	-	163 714	163 714
Other comprehensive income net of tax								
- Cash flow hedges	-	-	-	(98 736)	-	-	-	(98 736)
- Retirement benefit assets and obligations	-	-	-	-	-	-	20 673	20 673
Value of employee services (note 19.1)	-	-	-	-	16 777	-	-	16 777
Settlement of employee share incentives	-	-	-	-	(12 481)	-	(11 916)	(24 397)
Tax on employee share incentives	-	-	-	-	-	-	(3 096)	(3 096)
Ordinary A and B shares issued	60 017	-	-	-	-	-	-	60 017
Consolidated A and B ordinary shares	-	-	(60 017)	-	-	-	-	(60 017)
Equity-settled share-based payment: Isizinda (note 11)	-	-	-	-	-	31 224	-	31 224
Share-based payment costs on 2015 BEE transaction (note 33.5)	-	-	-	-	-	20 000	-	20 000
Dividends paid	-	-	-	-	-	-	(105 459)	(105 459)
Transfer of share premium to share capital	1 785 620	(1 785 620)	-	-	-	-	-	-
<b>Balance at 31 December 2015</b>	<b>1 877 597</b>	<b>-</b>	<b>(60 017)</b>	<b>(92 122)</b>	<b>45 707</b>	<b>51 224</b>	<b>2 032 128</b>	<b>3 854 517</b>

# GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 R'000	2014 R'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash generated before working capital changes	25	540 224	732 240
Changes in working capital	26	(279 771)	(78 854)
Cash generated from operations		260 453	653 386
Interest paid		(89 028)	(53 079)
Interest received		2 085	2 453
Income tax payment		(49 735)	(84 714)
Net cash inflow from operating activities		123 775	518 046
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Additions to property, plant and equipment	3	(472 358)	(305 572)
Acquisition of business	11	(100 170)	-
Additions to intangible assets		(15 480)	(29 992)
Proceeds on disposal of property, plant and equipment		44 679	206
Net cash outflow from investing activities		(543 329)	(335 358)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from non-current borrowings	13	270 000	-
Proceeds from/(repayment of) current borrowings		89 257	(118 338)
Redemption of A ordinary shares		-	(3 624)
Ordinary shares issued		-	34
Settlement of employee share incentives		(24 397)	(2 796)
Proceeds to settle equity option		4 000	-
Dividends paid		(105 459)	-
Net cash inflow/(outflow) from financing activities		233 401	(124 724)
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(186 153)</b>	<b>57 964</b>
Cash and cash equivalents at beginning of year		249 106	192 800
Deconsolidation of structured entity		-	(1 658)
Effects of exchange rate changes on cash and cash equivalents		7 205	-
<b>Cash and cash equivalents at end of year</b>	10	<b>70 158</b>	<b>249 106</b>

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# NOTES TO THE GROUP FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 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 group 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 group 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 current legally enforceable right to offset 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**

Amendment to IAS 19, 'Employee benefits', aimed at simplifying the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary, has been adopted by the group for the first time for the financial year beginning on or after 1 January 2015.

##### **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 1, 'Presentation of financial statements' (effective 1 January 2016)
- Amendment to IAS 7, 'Cash flow statements' (effective 1 January 2017)
- Amendment to IAS 12, 'Income taxes' (effective 1 January 2017)
- Amendment to IAS 16, 'Property, plant and equipment', and IAS 38, 'Intangible assets' (effective 1 January 2016)
- Amendment to IAS 27, 'Separate financial statements' (effective 1 January 2016)
- IFRS 9, 'Financial Instruments' (effective 1 January 2018)
- Amendment to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' (effective 1 January 2016)
- Amendment to IFRS 11, 'Joint arrangements' (effective 1 January 2016)
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)
- IFRS 16, 'Leases' (effective 1 January 2019).

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 and IFRS 16, the impact of which will be assessed.

#### 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 within note 1.37.

**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 35. 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, exercised or when, the forecast transaction in respect of cash flow hedges 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 18 of the group financial statements).

**1.8 POST BALANCE SHEET EVENTS**

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. ACCOUNTING POLICIES continued

#### 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 Hulamint 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 group financial statements incorporate the assets, liabilities, income, expenses and cash flows of entities, typically subsidiaries, controlled by the group (including structured entities). Control exists where the group is exposed, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. The results of entities controlled by the group acquired or disposed of during the year are included in the group income statement from the date the group 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.

#### 1.12 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 from the date when joint control first exists to when it ceases to exist 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

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.

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

## ASSETS

#### 1.15 PROPERTY, PLANT AND EQUIPMENT

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

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

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

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



**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 three 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 cost of disposal and value in use. Value in use is estimated based on discounted future cash flows expected to be derived from an asset or cash-generating unit.

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. Minimum lease payments are payments over the lease term, excluding contingent rent, costs for services and taxes to be paid by and reimbursed to the lessor including any amounts guaranteed by the company or by a party related to the company.

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

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

**1.19 INVENTORIES**

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

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

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

**1.20 FINANCIAL ASSETS**

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

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

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. ACCOUNTING POLICIES continued

#### 1.20 FINANCIAL ASSETS continued

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.

IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

#### 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 balance sheet 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 and B class ordinary shares issued to the BEE investor company and the ESOP Trust. These structured entities are 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, disposed of or reissued.

#### 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 gains and losses.

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 balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. 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 group balance sheet represents the actual deficit or surplus in the group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

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

Provisions for post-retirement medical aid benefits and gratuities payable on retirement are calculated on an actuarial basis, 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 14 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.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 1. ACCOUNTING POLICIES continued

#### 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 recognised at the fair value of the consideration receivable 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 at the reporting date.

#### 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 2/2015 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 Monte Carlo Simulation, Black-Scholes and binomial tree valuation models, and these estimates are reviewed annually.

For those schemes where the group purchases shares in order to settle the benefit granted, any cost in excess of the fair value of the benefit granted is recognised in equity.

#### BEE transactions

BEE transactions where the Group receives or acquires goods or services as consideration for the issue of equity instruments of the Group are treated as share-based payment transactions.

BEE transactions where employees are involved are measured and accounted for on the same basis as share-based payments, as disclosed above.

Transactions in which share-based payments are made to parties other than employees are measured by reference to the fair value of equity instruments granted if no specific goods or services are received. Vesting of the equity instrument occurs immediately and an expense and related increase in equity is recognised on the date that the instrument is granted. No further measurement or adjustments are required as it is presumed that the BEE credentials are received upfront. Incremental costs that are directly associated with the BEE transaction are expensed immediately in the determination of profit or loss.

### 1.36 INTEREST INCOME

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

### 1.37 JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The key judgements, 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 useful 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 33 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 20 of the group financial statements.

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

The Group holds a 40% interest in Isizinda. Management have assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10. These requirements were assessed in conjunction with the substance of various contractual terms including those relating to the funding arrangements and operating activities of Isizinda.

This has been disclosed in note 11 of the group financial statements.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 2. OPERATING SEGMENT ANALYSIS

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

In the current year, the Group acquired Isizinda Aluminium (Pty) Ltd. This business only supplies slab to Hulamini Rolled Products. The activities of Isizinda Aluminium are integrated into the Hulamini Rolled Products segment.

	2015			2014		
	Hulamini Rolled Products R'000	Hulamini Extrusions R'000	Group total R'000	Hulamini Rolled Products R'000	Hulamini Extrusions R'000	Group total R'000
<b>Revenue</b>						
Segment revenue	7 554 622	840 364	8 394 986	7 288 391	750 527	8 038 918
Inter-segment revenue	-	-	-	-	-	-
Revenue from external customers	7 554 622	840 364	8 394 986	7 288 391	750 527	8 038 918
<b>Earnings</b>						
EBITDA*	414 084	30 057	444 141	599 226	60 762	659 988
Depreciation and amortisation	(131 176)	(17 485)	(148 661)	(105 039)	(13 221)	(118 260)
Impairment reversal	-	-	-	43 405	-	43 405
Operating profit	282 908	12 572	295 480	537 592	47 541	585 133
Interest received	2 085	-	2 085	2 453	-	2 453
Interest paid	(67 520)	(1 057)	(68 577)	(45 249)	(2 911)	(48 160)
Profit before tax	217 473	11 515	228 988	494 796	44 630	539 426
Taxation	(61 848)	(3 426)	(65 274)	(141 612)	(12 886)	(154 498)
Net profit for the year	155 625	8 089	163 714	353 184	31 744	384 928
<b>Headline earnings</b>						
Net profit for the year	155 625	8 089	163 714	353 184	31 744	384 928
Loss/(profit) on disposal of property, plant and equipment	10 538	-	10 538	6 518	(20)	6 498
Impairment reversal	-	-	-	(43 405)	-	(43 405)
Bargain purchase gain	(51 868)	-	(51 868)	-	-	-
Tax effect	(3 123)	-	(3 123)	10 328	6	10 334
	111 172	8 089	119 261	326 625	31 730	358 355
<b>Normalised earnings</b>						
Headline earnings	111 172	8 089	119 261	326 625	31 730	358 355
Adjusted for (net of tax):						
Share-based payment costs on 2015 BEE transaction	18 165	1 835	20 000	-	-	-
Transaction costs	5 455	-	5 455	7 450	-	7 450
Post-retirement medical aid past service costs adjustments	4 857	-	4 857	(11 272)	-	(11 272)
Equity-settled share-based payment: Isizinda	27 224	-	27 224	-	-	-
	166 873	9 924	176 797	322 803	31 730	354 533

	2015			2014		
	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>2. OPERATING SEGMENT ANALYSIS</b> continued						
Headline earnings per share:						
– Basic (cents)			37			112
– Diluted (cents)			36			110
Normalised earnings per share:						
– Basic (cents)			55			111
– Diluted (cents)			54			109
<b>Total assets</b>	<b>6 335 986</b>	<b>320 554</b>	<b>6 656 540</b>	5 897 340	372 038	6 269 378
<b>Total liabilities</b>	<b>2 754 987</b>	<b>47 036</b>	<b>2 802 023</b>	2 339 871	95 690	2 435 561
<b>Other disclosures</b>						
Additions to property, plant and equipment and intangible assets	570 699	34 303	605 002	314 178	21 386	335 564

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

	2015 R'000	2014 R'000
<b>Analysis of revenue by product market</b>		
Automotive and transport	1 281 436	1 089 810
Building and construction	170 810	180 672
General engineering	3 410 226	3 679 343
Packaging	3 532 514	3 089 093
	<b>8 394 986</b>	8 038 918
<b>Geographical analysis of revenue</b>		
South Africa	3 781 298	2 959 537
North America	2 021 928	1 982 260
Europe	1 325 784	1 622 740
Asia	546 815	658 242
Middle East	198 208	455 307
Australasia	215 217	58 061
South America	297 205	278 278
Rest of Africa	8 531	24 493
	<b>8 394 986</b>	8 038 918

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

The Hulamin Rolled Products segment includes revenues of R1 239 million (2014: R823 283 000) which arose from sales to the group's largest customer.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
<b>3. PROPERTY, PLANT AND EQUIPMENT</b>					
<b>2015</b>					
<b>At cost</b>					
Balance at beginning of year	6 955 288	926 123	5 609 852	163 064	256 249
Additions	472 358	6 610	45 220	3 320	417 208
Assets acquired in business combination	117 164	68 364	48 800	-	-
Borrowing costs capitalised	20 451	2 102	9 847	-	8 502
Capitalised from capital works under construction	-	38 187	327 375	22 229	(387 791)
Transfers	-	(43)	(1 034)	1 077	-
Disposals	(104 358)	-	(103 764)	(594)	-
Balance at end of year	7 460 903	1 041 343	5 936 296	189 096	294 168
<b>Accumulated depreciation and impairment losses</b>					
Balance at beginning of year	4 258 140	509 578	3 610 027	138 535	-
Charge for the year (note 19)	140 321	12 996	117 295	10 030	-
Disposals	(104 358)	-	(103 764)	(594)	-
Balance at end of year	4 294 103	522 574	3 623 558	147 971	-
<b>Carrying value at 31 December 2015</b>	<b>3 166 800</b>	<b>518 769</b>	<b>2 312 738</b>	<b>41 125</b>	<b>294 168</b>
<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	(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 19)	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 20)	(43 405)	-	(43 405)	-	-
Reclassification to asset held for sale	(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>

The weighted average interest rate used for borrowing costs capitalised is 8,23% (2014: 7,68%).

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 re-evaluated 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 with a carrying value of R39 983 000 (2014: R23 060 000) and land and buildings with a carrying value of R208 024 000 (2014: not encumbered) are encumbered as security for borrowing facilities (Notes 13 and 17).

Total depreciation is included in cost of sales on the Income Statement.



	2015 R'000	2014 R'000
<b>4. INTANGIBLE ASSETS</b>		
<b>Software costs – internally generated and capitalised</b>		
At beginning of year	92 128	84 288
Additions	8 085	7 840
At end of year	100 213	92 128
<b>Accumulated amortisation</b>		
At beginning of year	58 784	54 018
Charge for the year (note 19)	5 342	4 766
At end of year	64 126	58 784
<b>Carrying value at end of year</b>	<b>36 087</b>	<b>33 344</b>
<b>Software costs – other external</b>		
At beginning of year	51 559	29 407
Additions	7 395	22 152
At end of year	58 954	51 559
<b>Accumulated amortisation</b>		
At beginning of year	25 126	21 584
Charge for the year (note 19)	2 998	3 542
At end of year	28 124	25 126
<b>Carrying value at end of year</b>	<b>30 830</b>	<b>26 433</b>
<b>Total software costs</b>		
Cost	159 167	143 687
Accumulated amortisation	(92 250)	(83 910)
<b>Carrying value at end of year</b>	<b>66 917</b>	<b>59 777</b>
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 in the current and prior years.		
Total amortisation is included in cost of sales on the Income Statement.		
<b>5. ASSET HELD FOR SALE</b>		
In December 2014, management approved a plan to sell one of its rolling mills. Accordingly, it was presented as an asset held for sale.		
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:		
Property, plant and machinery	–	55 217
The rolling mill was sold during 2015 and has therefore been derecognised.		

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>6. DEFERRED TAX ASSET</b>		
At beginning of year	25 450	27 815
Tax (charged)/credited directly to equity	(14)	394
<b>Income statement</b>		
Current year charge	(4 089)	(3 989)
Prior year (charge)/credit	(313)	801
Deferred tax (charge)/credit in other comprehensive income	(774)	429
At end of year	20 260	25 450
<b>Analysis of deferred tax asset</b>		
Fixed assets	(6 734)	(2 625)
Retirement benefit obligations and other provisions	25 747	27 107
Other	1 247	968
	20 260	25 450
Deferred tax asset to be recovered after more than 12 months	14 231	24 063
Deferred tax asset to be recovered within 12 months	6 029	1 387
	20 260	25 450
<b>7. INVENTORIES</b>		
Raw materials	379 550	530 857
Work-in-progress	409 019	514 785
Finished goods	774 345	751 600
Consumable stores	221 891	161 692
	1 784 805	1 958 934

Inventories with a carrying value of R1 635 million (2014: R1 781 million) are encumbered as security for borrowing facilities (note 17).

Certain items of inventory were written down (note 19) to net realisable value.

	2015 R'000	2014 R'000
<b>8. TRADE AND OTHER RECEIVABLES</b>		
<b>Financial assets</b>	<b>1 245 500</b>	935 977
Trade receivables	1 205 717	937 403
Less: Provision for impairment of receivables	(4 752)	(6 222)
	<b>1 200 965</b>	931 181
Sundry receivables	44 535	4 796
<b>Non-financial assets</b>	<b>138 890</b>	101 932
Prepayments	40 591	33 754
Value-added taxation receivable	98 299	68 178
	<b>1 384 390</b>	1 037 909
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	1 127 469	750 062
Receivables overdue but not impaired	118 031	185 915
Overdue by less than 60 days	106 526	155 543
Overdue by more than 60 days	11 505	30 372
	<b>1 245 500</b>	935 977
Total receivables, net of provision for impairment	<b>1 245 500</b>	935 977
One debtor comprises 27% (2014: 22%) 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	244 700	220 943
– Balance subject to credit insurance (%)	95	98
Export trade receivables	826 005	524 323
– Balance subject to credit insurance (%)	100	100
	<b>1 070 705</b>	745 266
Trade receivables covered by credit insurance are subject to a 10% excess.		
Trade and sundry receivables that are impaired are provided for in full. No collateral is held on these receivables. The movement in the provision for impairment is as follows:		
At 1 January	6 222	7 835
Receivables written off during the year as uncollectible	(1 892)	(3 152)
Net creation during the year	422	1 539
At 31 December	<b>4 752</b>	6 222
Trade and other receivables with a carrying value of R1 123 million (2014: R854 231 000) have been ceded as security for borrowing facilities (note 17).		

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 Foreign amount '000	2015 Rand amount R'000	2014 Rand amount R'000
<b>8. TRADE AND OTHER RECEIVABLES continued</b>			
The group had the following uncovered export trade debtors at the period end:			
Euro	333	5 634	3 315
US Dollar	595	9 256	4 914
		14 890	8 229

	2015 R'000	2014 R'000
<b>9. DERIVATIVE FINANCIAL INSTRUMENTS</b>		
Foreign currency management – firm commitments and probable forecast sales (note 9.1)	(183 088)	(52 152)
Foreign currency management – trade debtors, creditors and import orders (note 9.2)	(44 233)	(12 572)
Commodity price management (note 9.3)	128	38 380
	(227 193)	(26 344)
Grouped as:		
Financial assets	8 457	44 175
Financial liabilities	(235 650)	(70 519)
	(227 193)	(26 344)

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 2015 is made up of exposure on commodity futures and amounted to R128 000 (2014: R38 380 000).

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 13. Key inputs used in the determination of fair value relate to London Metal Exchange (LME) aluminium prices and currency exchange rates.

The group's financial risk management strategy is discussed in note 35.

## 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

### 9.1 FOREIGN CURRENCY MANAGEMENT – FIRM COMMITMENTS AND PROBABLE FORECAST SALES

The following forward foreign exchange contracts (FECs) on hand at period end are economic hedges of firm commitments and probable forecast sales and were designated as hedging instruments in terms of hedge accounting.

	2015			2014		
	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000
<b>Forward purchases</b>						
US Dollar (note 9.1.1)	4 581	66 315	7 475	2 933	33 679	(148)
		66 315	7 475		33 679	(148)
<b>Forward sales</b>						
Euro (note 9.1.1)	(3 395)	(53 260)	(6 738)	(1 936)	(28 019)	741
Pound Sterling (note 9.1.1)	(18)	(392)	(35)	(124)	(2 266)	19
US Dollar (note 9.1.2)	(100 659)	(1 408 505)	(183 790)	(103 030)	(1 158 354)	(52 764)
		(1 462 157)	(190 563)		(1 188 639)	(52 004)
<b>Net total</b>		(1 395 842)	(183 088)		(1 154 960)	(52 152)
Maturing in:						
2015		-	-		(1 154 960)	(52 152)
2016		(1 395 842)	(183 088)		-	-
		(1 395 842)	(183 088)		(1 154 960)	(52 152)
Cash flow hedges (note 9.1.2)		(1 408 505)	(183 790)		(1 158 354)	(52 764)
Fair value hedges (note 9.1.1)		12 663	702		3 394	612
		(1 395 842)	(183 088)		(1 154 960)	(52 152)
Grouped as:						
Financial assets			-			196
Financial liabilities			(183 088)			(52 348)
			(183 088)			(52 152)

#### 9.1.1 Fair value hedges

The group enters into FECs to hedge Euro, Pound Sterling and US Dollar-denominated customer orders (firm commitments). These FECs are hedge accounted and are designated as fair value hedges, accounted for in accordance with accounting policy note 1.7.

#### 9.1.2 Cash flow hedges

The group enters into FECs to hedge US Dollar exposure of the metal component of probable forecast sales. These FECs are hedge accounted and are designated as cash flow hedges, accounted for in accordance with accounting policy note 1.7. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the fair value of the total sales transaction to the fair value of the FECs plus the fair value of futures discussed in note 9.3.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

##### 9.2 FOREIGN CURRENCY MANAGEMENT – TRADE DEBTORS, CREDITORS AND IMPORT ORDERS

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:

	2015			2014		
	Foreign amount '000	Rand amount R'000	Fair value asset/ (liability) R'000	Foreign amount '000	Rand amount R'000	Fair value asset/ (liability) R'000
<b>Forward purchases</b>						
Euro	2 662	42 396	3 580	6 317	94 797	(4 497)
Pound Sterling	1 825	41 376	745	4 100	47 076	1 452
US Dollar	5 213	75 470	4 906	1 092	20 752	(787)
		159 242	9 231		162 625	(3 832)
<b>Forward sales</b>						
Euro	(10 146)	(159 164)	(11 941)	(7 108)	(102 854)	2 696
Pound Sterling	(502)	(10 889)	(686)	(426)	(7 766)	7
US Dollar	(35 940)	(523 752)	(40 837)	(41 142)	(467 732)	(11 443)
		(693 805)	(53 464)		(578 352)	(8 740)
<b>Net total</b>		(534 563)	(44 233)		(415 727)	(12 572)
Maturing in:						
2015		-	-		(415 727)	(12 572)
2016		(534 563)	(44 233)		-	-
		(534 563)	(44 233)		(415 727)	(12 572)
Grouped as:						
Financial assets			-			47
Financial liabilities			(44 233)			(12 619)
			(44 233)			(12 572)

## 9. DERIVATIVE FINANCIAL INSTRUMENTS continued

### 9.3 COMMODITY PRICE MANAGEMENT

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

	2015			2014		
	Tons	Contracted value R'000	Fair value asset/(liability) R'000	Tons	Contracted value R'000	Fair value asset/(liability) R'000
Net aluminium futures purchases/(sales) maturing in:						
2015	-	-	-	(17 600)	(415 178)	38 380
2016	17 350	406 463	128	-	-	-
	17 350	406 463	128	(17 600)	(415 178)	38 380
Grouped as:						
Financial assets			8 457			43 932
Financial liabilities			(8 329)			(5 552)
			128			38 380
Cash flow hedges (note 9.3.1)			3 693			48 295
Fair value hedges (note 9.3.2)			(3 565)			(9 915)
			128			38 380

#### 9.3.1 Cash flow hedges

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on probable forecast sales. These LME futures are hedge accounted and are designated as cash flow hedges, accounted for in accordance with accounting policy note 1.7. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the fair value of the total sales transaction to the fair value of the LME futures plus the fair value of FECs discussed in note 9.1.

#### 9.3.2 Fair value hedges

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers. These LME futures are hedge accounted and are designated as fair value hedges, accounted for in accordance with accounting policy note 1.7.

	2015 R'000	2014 R'000
<b>10. CASH AND CASH EQUIVALENTS</b>		
Bank balances	69 691	98 407
Cash on hand	467	699
Nedbank call deposit	-	150 000
	<b>70 158</b>	249 106
Effective interest rates	(%) 4,50	4,80
Included in bank balances are the following foreign currency denominated accounts:		
Euro	29	6 737
Pound Sterling	-	1
US Dollar	889	14 699
	<b>918</b>	21 437

Bank balances with a carrying value of R38 119 000 (2014: R246 124 000) have been ceded as security for borrowing facilities (note 17).

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 11. BUSINESS COMBINATIONS

Isizinda Aluminium (Pty) Ltd (60% interest Bingelela Capital (Pty) Ltd and 40% interest Hulamin Operations (Pty) Ltd) acquired, on 1 July 2015, the Bayside casthouse business from Hillside Aluminium (Pty) Ltd, part of the South32 Limited group of companies. This strategic transaction secures Hulamin's local supply of rolling slab for the next five years and beyond, and the Bayside casthouse in Richards Bay will be developed into a broad range aluminium hub in order to stimulate and support industrialisation in Richards Bay, the growth of the domestic aluminium industry and economic growth throughout Southern Africa.

The following table summarises the consideration paid for the Bayside casthouse business, the fair value of the assets acquired and liabilities assumed at the acquisition date.

Details of the purchase consideration, and the net assets acquired are as follows:

	2015 R'000	2014 R'000
Purchase consideration:		
Cash payment	100 170	-
The assets and liabilities recognised as a result of the acquisition are as follows:		
Sundry receivable	10 000	-
Plant and equipment	48 800	-
Land and buildings	68 364	-
Inventory	41 198	-
Deferred tax liability	(16 324)	-
Net identifiable assets acquired	152 038	-
Bargain purchase gain	51 868	-

The bargain purchase gain of R51 868 000 arising from the acquisition is attributable to the land and buildings. The redevelopment of the casthouse business through the partnership of Isizinda Aluminium (Pty) Ltd (Isizinda) and Hulamin is of strategic importance to the local aluminium industry, including the interest of South32 Limited, and was an integral element in the transaction and the related gain.

Acquisition related costs of R2 480 000 have been charged to administrative expenses in the group income statement for the year ended 31 December 2015.

The gross amount due in respect of the sundry receivable is equal to its fair value and is considered collectable. The fair value of inventory is based on its market value.

Independent valuations of the plant and machinery and land and buildings were performed by external and qualified valuers in order to arrive at their respective fair values. These valuations represent level 3 fair value measurements as described in note 1.20.

Plant and machinery was valued using a market approach. The valuation technique employed provides a market value, which is determined by comparing the subject asset with identical or similar assets for which price information is available in the market. Key unobservable inputs related to quotations from suppliers and adjustments for economic obsolescence.

Land and buildings were valued using the net income capitalisation method, taking into account comparable market transactions, reduced by remedial works required to the property for best use. Key unobservable inputs related to market rentals, comparable transactions and the capitalisation rate applied.

#### Revenue and profit recognition

As Hulamin is the sole customer of the acquired business, the acquisition resulted in no increase in group revenues. Since 1 July 2015, the acquired business generated R1 158 million in revenues from Hulamin and contributed R1 203 000 to the net profit of the Group. The business acquired began trading on acquisition date.

#### Equity option

The purchase consideration of R100 170 000 for the acquisition of the Bayside casthouse was funded by a loan from Hulamin to Isizinda. The terms of the loan arrangement result in the interest held by the outside shareholder in Isizinda being treated as a grant of an equity option for a nominal consideration. An IFRS 2 charge, which represents the fair value of the option granted, of R27 224 000 was recognised in the group income statement. The fair value of the option granted was determined based on its intrinsic value. This was determined on an indirect basis with reference to the bargain purchase gain and the contributed capital of R4 000 000 from the outside shareholder. The time value component was deemed to be nominal as the option is expected to be exercised upon settlement of the loan funding which is planned to take place within eighteen months.



	2015 R'000	2014 R'000
<b>12. SHARE CAPITAL AND SHARE PREMIUM</b>		
<b>12.1 AUTHORISED</b>		
800 000 000 ordinary shares of no par value (2014: 800 000 000 ordinary shares of 10 cents each)	-	80 000
31 477 333 A ordinary shares of no par value (2014: 45 000 000 A ordinary shares of 10 cents each)	-	4 500
36 072 000 B ordinary shares of no par value (2014: 28 000 000 B ordinary shares of 10 cents each)	-	2 800
<b>Total authorised stated/share capital</b>	<b>-</b>	<b>87 300</b>
The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.		
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.		
<b>12.2 ISSUED</b>		
<b>Ordinary shares</b>		
Opening balance: 319 596 836 ordinary shares of 10 cents each (2014: 319 268 492 ordinary shares of 10 cents each)	<b>31 960</b>	31 926
Issued during year: nil (2014: 328 344 ordinary shares of 10 cents each)	-	34
Transfer from share premium	<b>1 785 620</b>	-
<b>Closing balance: 319 596 836 ordinary shares of no par value (2014: 319 596 836 ordinary shares of 10 cents each)</b>	<b>1 817 580</b>	31 960
<b>A ordinary shares</b>		
Issued during the year: A1 and A2 ordinary shares (4 721 600 A1 ordinary shares of no par value, 26 755 733 A2 ordinary shares of no par value)	<b>59 656</b>	-
<b>B ordinary shares</b>		
Issued during the year: B1, B2 and B3 ordinary shares (9 018 000 B1 ordinary shares of no par value, 9 018 000 B2 ordinary shares of no par value, 18 036 000 B3 ordinary shares of no par value)	<b>361</b>	-
<b>Total issued stated/share capital</b>	<b>1 877 597</b>	31 960
<b>Share premium</b>		
Opening balance	<b>1 785 620</b>	1 785 620
Transfer to share capital	<b>(1 785 620)</b>	-
Consolidated A and B ordinary shares	<b>(60 017)</b>	-
<b>Stated capital/share capital and share premium</b>	<b>1 817 580</b>	1 817 580

**12.3 A AND B ORDINARY SHARES**

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

A1 ordinary shares are entitled to dividends whilst all B ordinary shares have no entitlement to dividends.

**12.4 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 33.

**Under the control of the directors:**

At 31 December 2015, 6 801 529 unissued ordinary shares (2014: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2015

	Effective interest rate (%)	2015 R'000	2014 R'000
<b>13. NON-CURRENT BORROWINGS</b>			
Nedbank	9,53	270 000	-
Less: Current portion included in current borrowings		(54 000)	-
		216 000	-
<p>The Nedbank long-term loan is secured against a mortgage bond of R405 000 000 over land and buildings disclosed in note 3.</p> <p>The fair values of the non-current borrowings approximate their carrying value.</p> <p>The loan is repayable in quarterly instalments over five years commencing in March 2016. As R54 000 000 is due within twelve months from reporting date, it has been reclassified to current borrowings. Refer to note 17.</p>			
<b>14. DEFERRED TAX LIABILITY</b>			
At beginning of year		477 702	405 311
Tax (credited)/charged directly to equity		(28 050)	4 684
Deferred tax on business combination		16 324	-
Income statement			
Current year charge		21 574	66 797
Prior year (credit)/charge		(785)	910
At end of year		486 765	477 702
The deferred tax liability is analysed as follows:			
Accelerated tax depreciation		564 783	518 026
Provisions and leave pay accruals		(61 662)	(63 166)
Defined benefit fund		38 222	38 879
Share schemes		(11 154)	(14 070)
Hedging reserve		(35 825)	2 572
Trade receivable prepayments		(6 426)	(6 778)
Other		(288)	2 239
Assessed loss		(885)	-
		486 765	477 702
Deferred tax liability to be settled after more than 12 months		544 204	479 463
Deferred tax liability to be settled within 12 months		(57 439)	(1 761)
		486 765	477 702
<b>15. RETIREMENT BENEFIT OBLIGATIONS</b>			
Post-retirement medical aid provision		195 606	203 445
Retirement gratuity provision		32 391	32 924
		227 997	236 369
The movements in these provisions are detailed in note 27.			
<b>16. TRADE AND OTHER PAYABLES</b>			
Trade payables		564 097	779 627
Leave pay and bonus accruals		85 101	76 796
Sundry accruals and other payables		157 012	108 404
		806 210	964 827

		2015 R'000	2014 R'000
<b>17. CURRENT BORROWINGS</b>			
Nedbank revolving facilities		703 382	614 838
Current portion of term loan		54 000	-
Pension fund loan (note 27,31)		72 019	71 306
		<b>829 401</b>	<b>686 144</b>
Effective interest rates are as follows:			
Nedbank term loan	(%)	<b>8,32</b>	7,68
Pension fund loan	(%)	<b>7,89</b>	6,68
The Nedbank revolving facilities comprise gross borrowings of R926 647 000 (2014: R652 884 000) which has been offset by bank balances of R223 265 000 (2014: R38 046 000) in terms of the loan agreements with Nedbank.			
The Nedbank revolving facilities are secured against total inventories, total trade receivables, total bank balances, moveable items of property, plant and equipment and also against all credit insurance on trade receivables and against insurance on fixed assets.			
Refer to note 13 for details on the term loan.			
The pension fund loan is unsecured and has no fixed terms of repayment.			
The fair values of the current borrowings approximate their carrying value.			
<b>18. OTHER GAINS AND LOSSES</b>			
Loss on disposal of property, plant and equipment		<b>(10 538)</b>	(6 498)
Valuation adjustments on non-derivative items (note 18.1)		<b>203 072</b>	46 349
Valuation adjustments on derivative items (note 18.2)		<b>4 371</b>	74 810
Bargain purchase gain (note 11)		<b>51 868</b>	-
		<b>248 773</b>	<b>114 661</b>
<b>18.1 VALUATION ADJUSTMENTS ON NON-DERIVATIVE ITEMS</b>			
Foreign exchange gains on debtors and creditors balances		<b>207 640</b>	50 156
Foreign currency denominated cash balances		<b>7 156</b>	(6 583)
Valuation (losses)/gains on firm commitments		<b>(11 724)</b>	2 776
		<b>203 072</b>	<b>46 349</b>
<b>18.2 VALUATION ADJUSTMENTS ON DERIVATIVE ITEMS</b>			
Foreign exchange contracts: debtors and creditors balances		<b>(141 895)</b>	(16 322)
Foreign exchange contracts: firm commitments		<b>8 675</b>	(738)
Commodity futures: fair value hedges		<b>26 150</b>	(6 180)
Losses on fair value hedges		<b>(107 070)</b>	(23 240)
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts		<b>111 441</b>	98 050
		<b>4 371</b>	<b>74 810</b>
<b>18.3 INEFFECTIVE PORTION OF ALL HEDGES RECOGNISED IN PROFIT OR LOSS</b>			
Fair value hedges		<b>3 436</b>	1 110
Cash flow hedges		<b>(858)</b>	-
		<b>2 578</b>	<b>1 110</b>
<b>18.4 THE FOLLOWING AMOUNTS ARE INCLUDED IN REVENUE</b>			
Cash flow hedge losses transferred from equity		<b>(166 597)</b>	(170 582)

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>19. EXPENSES BY NATURE</b>		
Aluminium and other material costs	5 667 073	5 381 439
Utilities and other direct manufacturing costs	657 418	636 620
Employment costs (note 19.1)	929 937	776 483
Depreciation (note 3)	140 321	109 952
Amortisation of intangible assets (note 4)	8 340	8 308
Repairs and maintenance	255 100	203 869
Freight and commissions	308 630	325 519
Other operating income and expenditure (note 19.2)	381 460	169 661
	<b>8 348 279</b>	<b>7 611 851</b>
<b>Classified as:</b>		
Cost of sales	7 855 025	7 119 966
Selling, marketing and distribution expenses	382 204	403 104
Administrative and other expenses	111 050	88 781
	<b>8 348 279</b>	<b>7 611 851</b>
<b>19.1 EMPLOYMENT COSTS</b>		
Salaries and wages	839 123	720 050
Retirement benefits costs:		
Defined contribution schemes (note 27)	50 306	42 502
Defined benefit scheme (note 27)	(8 227)	(9 565)
Post-retirement medical aid costs (note 27)	27 209	4 030
Retirement gratuities (note 27)	4 749	4 310
Share incentive costs	16 777	15 156
	<b>929 937</b>	<b>776 483</b>
<b>19.2 OTHER OPERATING INCOME AND EXPENDITURE</b>		
Other operating income and expenditure includes:		
Write-down of inventories	13 669	9 266
Operating leases	22 245	12 899
Decrease in provision for impairment of debtors	(1 470)	(1 613)
Auditors' remuneration (note 19.3)	4 633	4 391
Equity-settled share-based payment: Isizinda	27 224	-
Share-based payment costs on 2015 BEE transaction	20 000	-
<b>19.3 AUDITORS' REMUNERATION</b>		
Audit fees	4 282	3 844
Fees for other services	155	362
Expenses	196	185
	<b>4 633</b>	<b>4 391</b>

	2015 R'000	2014 R'000
<b>20. IMPAIRMENT OF NON-CURRENT ASSETS</b>		
The impairment reversal recognised in the income statement is as follows:		
Rolled Products specific asset impairment reversal (note 20.3)	–	(43 405)
Taxation thereon	–	12 153
Net impairment reversal	–	(31 252)

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 13 and 17) at the period end. The recoverable amount was determined to be the value in use. The assessment compared the estimated value in use based on forecast future cash flows to the carrying amount.

#### 20.1 HULAMIN ROLLED PRODUCTS CASH-GENERATING UNIT

The recoverable amount of these assets at 31 December 2015 was above the carrying amount and no impairment charge is thus required. A reversal of the 2013 impairment charge is also not required.

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 future volume capped at 220 000 tons.

**Rolling margins** – takes into account current and anticipated changes in market conditions and product mix.

**Currency exchange rates** – based on the median of forecasts by major financial and other institutions to 2018 and on inflation differentials thereafter, with the ZAR/USD rate rising from an average of R12,76 in 2015 to R15,59 in 2020.

A pre-tax discount rate of 14,9% (post-tax 11,6%) was used in the calculation and this rate is similar to the 14,1% (post-tax 11,3%) used in 2014. The increase in the rate was caused by an increase in the interest rates. The discount rate includes a company-specific risk premium of 1% which in particular arises from the company's exposure to volatile exchange rates, and is unchanged from the prior year.

#### Sensitivity analysis

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

**Discount rate** – increasing the rate from 11,6% to 12,6% would result in an impairment charge of R166 million.

**Rolling margins** – lowering average margins by 5,0% would result in an impairment charge of R1 352 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 R1 861 million.

#### 20.2 HULAMIN EXTRUSIONS CASH-GENERATING UNIT

It was determined, as at 31 December 2015, that no impairment of the carrying values of the assets of this cash-generating unit is required.

#### 20.3 SPECIFIC ASSET IMPAIRMENT REVERSAL

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 which had been recognised in 2012. The rolling mill was classified as an asset held for sale in the 2014 financial statements. The sale was completed during 2015 and accordingly the rolling mill has been derecognised in the 2015 financial statements. Refer to note 5 for further disclosure.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>21. NET FINANCE COSTS</b>		
Interest expense	68 577	48 160
Non-current borrowings interest	9 626	–
Current borrowings interest	79 402	53 079
Interest capitalised	(20 451)	(4 919)
Interest income	(2 085)	(2 453)
Net finance costs	66 492	45 707
<b>22. TAXATION</b>		
South African normal taxation:		
<b>Current</b>		
Current year charge	38 104	83 596
Prior year underprovision	1 978	7
<b>Deferred</b>		
Current year charge	25 664	70 786
Prior year (over)/underprovision	(472)	109
	65 274	154 498
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	(%) 0,5	0,6
Share-based payment costs on 2015 BEE transaction	(%) 5,7	–
Bargain purchase gain	(%) (6,3)	–
Prior year adjustment	(%) 0,6	–
Effective rate of taxation	(%) 28,5	28,6

## 23. EARNINGS PER SHARE

### 23.1 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 2015	December 2014
		Number of shares	Number 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		319 596 836	319 515 636
Share options		7 666 904	6 860 351
Diluted EPS – weighted average number of shares		327 263 740	326 375 987
		2015 R'000	2014 R'000
<b>23.2 EARNINGS/(LOSS) PER SHARE</b>			
Basic	(cents)	51	120
Diluted	(cents)	50	118
<b>23.3 HEADLINE EARNINGS PER SHARE</b>			
Net profit for the year		163 714	384 928
Adjustments		(44 453)	(26 573)
– Loss on disposal of property, plant and equipment		10 538	6 498
– Impairment reversal		–	(43 405)
– Bargain purchase gain		(51 868)	–
– Tax effect		(3 123)	10 334
Headline earnings		119 261	358 355
Headline earnings per share			
Basic	(cents)	37	112
Diluted	(cents)	36	110
<b>23.4 NORMALISED EARNINGS PER SHARE</b>			
Headline earnings		119 261	358 355
Adjusted for (net of tax):			
Share-based payment costs on 2015 BEE transaction		20 000	–
Transaction costs*		5 455	7 450
Post-retirement medical aid past service costs adjustments		4 857	(11 272)
Equity-settled share-based payment: Isizinda		27 224	–
Normalised earnings		176 797	354 533
<i>* This relates to the aggregate transaction costs incurred during the year in respect of various corporate acquisitions, BEE ownership and investment activities.</i>			
Normalised earnings per share			
Basic	(cents)	55	111
Diluted	(cents)	54	109

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>24. DIVIDENDS PER SHARE</b>		
<b>Dividends per share declared</b>		
Interim dividend: 8 cents on 319 596 836 ordinary shares (2014: nil)	25 568	-
Final dividend: nil (2014: 25 cents)	-	79 899
<b>Total</b>	<b>25 568</b>	<b>79 899</b>
<b>25. CASH GENERATED BEFORE WORKING CAPITAL CHANGES</b>		
Operating profit	295 480	585 133
Adjusted for:		
Depreciation	140 321	109 952
Amortisation of intangible assets	8 340	8 308
Impairment reversal	-	(43 405)
Loss on disposal of property, plant and equipment	10 538	6 498
Net movement in retirement benefit asset and obligations	16 902	19 431
Value of employee services	16 777	15 156
Share-based payment costs on A ordinary shares redeemed	-	3 624
Movements in derivatives	63 715	27 543
Foreign exchange gains on cash and cash equivalents	(7 205)	-
Equity-settled share-based payment: Isizinda	27 224	-
Share-based payment costs on 2015 BEE transaction	20 000	-
Bargain purchase gain	(51 868)	-
	<b>540 224</b>	<b>732 240</b>
<b>26. CHANGES IN WORKING CAPITAL</b>		
Decrease/(increase) in inventories	215 327	(152 359)
Increase in trade and other receivables	(336 481)	(65 290)
(Decrease)/increase in trade and other payables	(158 617)	138 795
	<b>(279 771)</b>	<b>(78 854)</b>



## 27. RETIREMENT BENEFITS

### 27.1 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 R12 944 000 (2014: R10 201 000) 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 2015.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	R'000	R'000
<b>27. RETIREMENT BENEFITS continued</b>		
27.1 RETIREMENT BENEFIT SCHEMES continued		
(b) Hulamin Pension Fund continued		
<b>Amounts recognised in the balance sheet are as follows:</b>		
Fair value of plan assets (represents amounts held in employer surplus account)	152 524	147 181
Present value of funded obligations	(10 232)	(8 327)
Pension fund asset at end of year	142 292	138 854
<b>Movement in the defined benefit obligation is as follows:</b>		
Defined benefit obligation at beginning of year	8 327	4 708
Current service cost	3 331	3 138
Interest cost	1 011	688
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(1 980)	453
Actuarial gains arising from experience adjustments	(121)	(434)
Benefits paid	(336)	(226)
Defined benefit obligation at end of year	10 232	8 327
<b>Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:</b>		
Fair value of plan assets at beginning of year	147 181	166 176
Actual return on plan assets	14 046	12 677
Interest income	12 569	13 391
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	1 477	(714)
Benefits paid	(336)	(226)
Contribution funded from employer reserves	(8 367)	(31 446)
Fair value of plan assets at end of year	152 524	147 181
<b>The fair value of plan assets comprises the employer surplus account which comprises:</b>		
Quoted market price in an active market:		
Market risk portfolio	55 867	52 139
Conservative portfolio	53	7
Money market and cash	24 585	23 729
Other assets:		
Loan to employer company (note 17)	72 019	71 306
	152 524	147 181
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	55 921	52 027

	2015 R'000	2014 R'000
<b>27. RETIREMENT BENEFITS continued</b>		
27.1 RETIREMENT BENEFIT SCHEMES continued (b) Hulamin Pension Fund continued		
<b>The amounts recognised in the income statement are as follows:</b>		
<b>Defined benefit plan (retirement benefit equalisation value)</b>	<b>(8 227)</b>	<b>(9 565)</b>
Current service cost	3 331	3 138
Net interest income	(11 558)	(12 703)
<b>Defined contribution plan</b>	<b>37 362</b>	<b>32 301</b>
Employer contribution from reserves (utilisation of employer surplus account)	8 367	31 446
Employer cash contribution	28 995	855
	<b>29 135</b>	<b>22 736</b>
Amounts recognised in other comprehensive income are as follows:		
Actuarial (gains)/losses arising from changes in financial assumptions	(1 980)	453
Actuarial gains arising from experience adjustments	(121)	(434)
Return on plan assets, excluding amounts included in interest income	(1 477)	714
The average duration of the benefit obligation at 31 December 2015 is 23,5 years (2014: 24,7 years).		
<b>Principal actuarial assumptions at the end of the reporting period are as follows:</b>		
Discount rate (%)	10,85	8,80
Future inflation rate (%)	7,40	6,15
<b>Sensitivity of discount rate:</b>		
1% increase in discount rate – effect on current service cost	(551)	(669)
1% increase in discount rate – effect on the obligation	(1 931)	(1 673)
1% decrease in discount rate – effect on current service cost	700	861
1% decrease in discount rate – effect on the obligation	2 449	2 153

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

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>27. RETIREMENT BENEFITS continued</b>		
<b>27.2 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.		
<b>Amounts recognised in the balance sheet are as follows:</b>		
Present value of unfunded obligations	195 606	203 445
Liability in the balance sheet	195 606	203 445
<b>The liability can be reconciled as follows:</b>		
Balance at beginning of year	203 445	196 870
Total expense accrued	27 209	4 030
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(20 740)	7 150
Actuarial (gains)/losses arising from experience adjustments	(1 610)	4 302
Benefit payments	(12 698)	(8 907)
Balance at end of year	195 606	203 445
<b>Amounts recognised in the income statement are as follows:</b>		
Interest costs	17 741	17 411
Current service costs	2 722	2 979
Past service costs credit adjustment (note i)	7 039	(12 030)
Settlement gains (note ii)	(293)	(4 330)
	27 209	4 030
<b>Amounts recognised in other comprehensive income are as follows:</b>		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(20 740)	7 150
Actuarial (gains)/losses arising from experience adjustments	(1 610)	4 302

*Note i* In 2014, 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%. In 2015, this policy was revised to allow increases in medical aid subsidisation to be the higher of CPI plus 1% and the average salary increase approved by the board. This resulted in a credit adjustment in 2014 and a debit adjustment in 2015.

*Note ii* During 2014, 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 post-retirement medical aid subsidy payments. The settlement gain arose from certain pensioners electing to receive a once-off lump sum in lieu of future post-retirement medical aid subsidy payments.

#### Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to a number of risks, principally changes in:

- Financial assumptions:
  - Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability
  - Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability
  - Medical inflation rate.
- Demographic assumptions:
  - Withdrawal, pre-retirement mortality and ill-health retirement rates
  - Post-retirement mortality
  - Family statistics.

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

	2015 %	2014 %
Changes in the principal financial assumptions are detailed below.		
<b>Principal financial assumptions:</b>		
Discount rate	10,85	8,80
Future company subsidy rate – in service	8,85	7,90
Future company medical subsidy increase – pensioners	9,15	7,15

## 27. RETIREMENT BENEFITS continued

### 27.2 POST-RETIREMENT MEDICAL AID BENEFITS continued

	2015 R'000	2014 R'000
<b>Sensitivity of future company subsidy rate:</b>		
1% increase in future company subsidy rate		
– effect on the aggregate of the service and interest costs	3 520	3 254
1% increase in future company subsidy rate – effect on the obligation	26 993	29 428
1% decrease in future company subsidy rate		
– effect on the aggregate of the service and interest costs	(2 904)	(2 656)
1% decrease in future company subsidy rate – effect on the obligation	(22 424)	(24 224)
<b>Sensitivity of discount rate:</b>		
1% increase in discount rate – effect on current service cost	(1 127)	(471)
1% increase in discount rate – effect on the obligation	(21 901)	(23 764)
1% decrease in discount rate – effect on current service cost	1 283	607
1% decrease in discount rate – effect on the obligation	26 758	29 327
<p>The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity the same method has been applied as when calculating the liability recognised within the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous year.</p> <p>The average duration of the benefit obligation at 31 December 2015 is 13,7 years (2014: 14,1 years). This number is analysed as follows:</p> <ul style="list-style-type: none"> <li>– Active members 20,1 years (2014: 20,8 years)</li> <li>– Retired members 9,8 years (2014: 10,0 years)</li> </ul>		
Estimated benefits payable by the group in the next financial year	9 730	9 115

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>27. RETIREMENT BENEFITS continued</b>		
<b>27.3 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.		
<b>Amounts recognised in the balance sheet are as follows:</b>		
Present value of unfunded obligations	32 391	32 924
Liability in the balance sheet	32 391	32 924
<b>The liability can be reconciled as follows:</b>		
Balance at beginning of year	32 924	28 956
Total expense accrued	4 749	4 310
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	(2 893)	358
Actuarial losses arising from experience adjustments	109	1 181
Gratuity payments	(2 498)	(1 881)
Balance at end of year	32 391	32 924
<b>Amounts recognised in the income statement are as follows:</b>		
Interest costs	2 833	2 545
Service costs	1 916	1 765
	4 749	4 310
<b>Amounts recognised in other comprehensive income are as follows:</b>		
Actuarial (losses)/gains arising from changes in financial assumptions	(2 893)	358
Actuarial gains arising from experience adjustments	109	1 181

#### Principal risks

Through its retirement gratuity benefit, the group is exposed to a number of risks, principally changes in:

- Financial assumptions:
  - Discount rate, which is set having regard to the market yield on suitable government bonds taking into account the estimated duration of the liability
  - Long-term price inflation rate, which is measured by the relationship between the yields of conventional and inflation-linked government bonds, taking into account the estimated duration of the liability
  - Salary inflation in excess of price inflation
- Demographic assumptions:
  - Withdrawal, pre-retirement mortality and ill-health mortality rates
  - Post-retirement mortality
  - Family statistics.

The demographic assumptions used in the valuation of the liability are consistent with those of the prior year.

		2015 R'000	2014 R'000
<b>27. RETIREMENT BENEFITS continued</b>			
27.3 RETIREMENT GRATUITIES continued			
Changes in the principal financial assumptions are detailed below:			
<b>Principal financial assumptions:</b>			
Discount rate	(%)	10,85	8,60
Future salary inflation rate	(%)	7,75	7,40
<b>Sensitivity of future salary inflation rate:</b>			
1% increase in future salary inflation rate		735	674
– effect on the aggregate of the service and interest costs			
1% increase in future salary inflation rate – effect on the obligation		3 798	4 007
1% decrease in future salary inflation rate		(631)	(576)
– effect on the aggregate of the service and interest costs			
1% decrease in future salary inflation rate – effect on the obligation		(3 310)	(3 482)

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

The average duration of the benefit obligation at 31 December 2015 is 12,2 years (2014: 13,6 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R890 000.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

	2015 R'000	2014 R'000
<b>28. LEASE COMMITMENTS</b>		
Operating lease commitments, amounts due:		
Not later than one year	18 742	14 463
Later than one year and not later than five years	22 292	25 433
	<b>41 034</b>	39 896
In respect of:		
Property	4 921	499
Plant and machinery	36 113	39 397
	<b>41 034</b>	39 896
The group leases forklift trucks and offices under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.		
<b>29. 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	202 632	226 759
Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.		
<b>30. CONTINGENT LIABILITIES</b>		
The group has no contingent liabilities as at 31 December 2015 (2014: nil).		
<b>31. 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 notes 17, 27)	72 019	71 306
Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officer and members of the executive committee, are detailed in note 32.		



## 32. DIRECTORS' REMUNERATION AND INTEREST

Directors' and prescribed officer's remuneration during the 2015 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments <sup>^</sup> Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted <sup>#</sup> Rand	Total Rand	Gains on exercise of share options Rand
<b>Non-executive</b>										
M E Mkwanazi	437 998	187 334					625 332		625 332	
L C Cele	255 565	99 952					355 517		355 517	
V N Khumalo*	169 838	83 041					252 879		252 879	
T P Leeuw	265 877	113 533					379 410		379 410	
J B Magwaza	206 232	61 910					268 142		268 142	
N N A Matyumza	255 565	109 139					364 704		364 704	
S P Ngwenya	169 837	55 658					225 495		225 495	
P H Staude	199 761	85 369					285 130		285 130	
S M G Jennings <sup>+</sup>	332 907	114 733					447 640		447 640	
G H M Watson	460 143	201 690					661 833		661 833	
	2 753 723	1 112 359	-	-	-	-	3 866 082	-	3 866 082	-
<b>Executive</b>										
R G Jacob			4 004 004	669 677	103 992	499 676	5 277 349	2 920 235	8 197 584	3 723 765
D A Austin			2 928 557	394 663	170 208	354 145	3 847 573	1 044 499	4 892 072	-
M Z Mkhize			2 729 496	365 599	187 896	340 362	3 623 353	1 067 622	4 690 975	721 210
	-	-	9 662 057	1 429 939	462 096	1 194 183	12 748 275	5 032 356	17 780 631	4 444 975
<b>Prescribed officer</b>										
H T Molale			2 318 172	231 734	112 836	288 947	2 951 689	906 349	3 858 038	1 124 888
	-	-	2 318 172	231 734	112 836	288 947	2 951 689	906 349	3 858 038	1 124 888
	2 753 723	1 112 359	11 980 229	1 661 673	574 932	1 483 129	19 566 046	5 938 705	25 504 751	1 124 888

<sup>^</sup> The bonus payments reflected above are in relation to the 2015 year, paid in 2016.

\* Directors' fees due to a shareholder nominee on the Hulamin 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.

<sup>+</sup> S M G Jennings resigned from the Hulamin board of directors on 30 September 2015.

### Executive Committee members' remuneration during the 2015 financial year\*

	Cash package Rand	Bonus and performance related payments <sup>^</sup> Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	6 994 896	927 447	342 660	871 887	9 136 890	2 734 888	11 871 778	2 358 142

\* Excluding executive directors and prescribed officer.

<sup>^</sup> The bonus payments reflected above are in relation to the 2015 year, paid in 2016.

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

## 32. DIRECTORS' REMUNERATION AND INTEREST continued

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

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments <sup>^</sup> Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted <sup>#</sup> Rand	Total Rand	Gains on exercise of share options Rand
<b>Non-executive</b>										
M E Mkwanazi	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	
	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	
	-	-	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
	-	-	1 899 780	735 793	101 224	236 648	2 973 445	532 801	3 506 246	168 153
	2 796 187	1 450 172	10 901 234	3 751 631	514 833	1 331 398	20 745 455	3 847 110	24 592 565	168 153

<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 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.

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

	Cash package Rand	Bonus and performance related payments <sup>^</sup> Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	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.

## 32. DIRECTORS' REMUNERATION AND INTEREST continued

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

## Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2011	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights at December 2014	Number of rights granted in 2015	Number of rights exercised in 2015	Number of rights lapsed in 2015	Number of rights at December 2015	Rights time constrained
<b>Executive director</b>									
D A Austin		234 243	196 546	430 789	135 553	–	–	566 342	566 342
R G Jacob	509 138	1 018 161	633 100	2 160 399	396 925	1 039 870	–	1 517 454	1 517 454
M Z Mkhize	261 503	470 418	201 780	933 701	138 555	–	–	1 072 256	569 581
	770 641	1 722 822	1 031 426	3 524 889	671 033	1 039 870	–	3 156 052	2 653 377
<b>Prescribed officer</b>									
H T Molale	167 931	301 714	150 157	619 802	117 625	322 612	–	414 815	414 815
	167 931	301 714	150 157	619 802	117 625	322 612	–	414 815	414 815
Grant price	R6,91	R4,56	R6,80		R8,20				
Grant date	25.5.2011	25.2.2013	24.4.2014		23.4.2015				
Grant price		R4,01							
Grant date		27.5.2013							

## Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions

	Number of rights granted in 2013	Number of rights at December 2014	Number of rights granted in 2015	Number of rights exercised in 2015	Number of rights lapsed in 2015	Number of rights at December 2015	Rights time constrained
<b>Executive director</b>							
D A Austin		102 232	188 012	59 708	–	–	247 720
R G Jacob		381 132	618 130	146 625	97 169	101 603	565 983
M Z Mkhize		205 430	293 494	61 030	51 515	53 864	249 145
		688 794	1 099 636	267 363	148 684	155 467	1 062 848
<b>Prescribed officer</b>							
H T Molale		131 757	197 291	51 811	33 040	34 547	181 515
		131 757	197 291	51 811	33 040	34 547	181 515
Grant price		R4,56	R6,80	R8,20			
Grant date		25.2.2013	24.4.2014	23.4.2015			
Grant price		R4,01					
Grant date		27.5.2013					

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 31 DECEMBER 2015

## 32. DIRECTORS' REMUNERATION AND INTEREST continued

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

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

	Number of conditional awards granted in 2013	Number of conditional awards granted in 2014	Number of conditional awards at December 2014	Number of conditional awards granted in 2015	Number of conditional awards exercised in 2015	Number of conditional awards at December 2015	Conditional awards time constrained
<b>Executive director</b>							
D A Austin	179 073	28 583	207 656	19 903	–	227 559	227 559
R G Jacob	127 186	78 999	206 185	48 875	66 257	188 803	188 803
M Z Mkhize	68 476	29 355	97 831	20 343	35 126	83 048	83 048
	374 735	136 937	511 672	89 121	101 383	499 410	499 410
<b>Prescribed officer</b>							
H T Molale	43 919	21 845	65 764	17 270	22 529	60 505	65 764
	43 919	21 845	65 764	17 270	22 529	60 505	65 764
Grant price	R4,56	R6,80		R8,20			
Grant date	25.2.2013	24.4.2014		23.4.2015			
Grant price	R4,60						
Grant date	1.3.2013						
Grant price	R4,01						
Grant date	27.5.2013						

### 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 December 2014	Number of conditional awards granted in 2015	Number of conditional awards exercised in 2015	Number of conditional awards at December 2015	Conditional awards time constrained
<b>Executive director</b>							
R G Jacob	24 669	32 534	57 203	17 319	24 669	57 203	57 203
	24 669	32 534	57 203	17 319	24 669	57 203	57 203
<b>Prescribed officer</b>							
H T Molale	–	–	–	–	–	–	–
	–	–	–	–	–	–	–
Grant price	R7,60	R4,55		R8,20			
Grant date	16.4.2012	4.3.2013		23.4.2015			

## 32. DIRECTORS' REMUNERATION AND INTEREST continued

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

The aggregate holdings as at 31 December 2015 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2015	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
<b>Executive</b>				
R G Jacob	456 400			456 400
M Z Mkhize	75 668			75 668
	532 068	-	-	532 068
<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	639 438	-	-	639 438

There have been no changes in the above interests between year-end and 18 February 2016.

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

# NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

## FOR THE YEAR ENDED 31 DECEMBER 2015

### 33. SHARE-BASED PAYMENTS

#### Employee share incentive schemes

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

#### 33.1 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 Hulamín 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 December 2014	Rights granted in 2015	Rights exercised in 2015	Rights forfeited/lapsed in 2015	Number of rights at 31 December 2015	Rights time constrained
R6,91	R1,91	25.5.2011	4 855 773		2 152 369	–	2 703 404	–
R3,60	R0,81	22.10.2012	1 793 156		1 267 870	148 158	377 128	–
R4,56	R1,35	25.2.2013*	1 651 948		1 118 951	–	532 997	–
R4,01	R1,24	27.5.2013	3 953 853		121 638	341 424	3 490 791	3 490 791
R6,82	R2,73	24.4.2014	3 293 251		–	222 604	3 070 647	3 070 647
R8,20	R3,17	23.4.2015		2 547 357	–	196 006	2 351 351	2 351 351
			15 547 981	2 547 357	4 660 828	908 192	12 526 318	8 912 789

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

The volume-weighted average share price during the year for Hulamín shares was R6,56.

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	2015 award: R8,20 (2014 award: R6,90; 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	2015 award: 7,67% (2014 award: 8,17%; 2013 award: 6,44%; 2012 award: 6,38%; 2011 award: 7,98%)
Expected volatility:	2015 award: 40,81% (2014 award: 42,22%; 2013 awards: 42,70% (February); 42,98% (May); 2012 award: 40,33%; 2011 award: 38,09%)
Expected dividends	2015 award: 0,5% (2014 award: 0,5%; 2013 awards: 4,0% (February); 4,0% (May); 2012 award: 9,85%; 2011 award: 7,56%)
Expected remaining life	2015 award: 76 months (2014 award: 64 months; 2013 award: 53 months; 2012 award: 46 months; 2011 award: 29 months)
Contractual life	84 months
Vesting conditions:	
– Time	Three years
– Non-market	An increase in Hulamín Limited headline earnings per ordinary share as determined by the Remuneration Committee
– Market	None

### 33. SHARE-BASED PAYMENTS continued

#### Employee share incentive schemes continued

#### 33.2 HULAMIN LIMITED LONG TERM INCENTIVE SCHEME 2007 (WITH PERFORMANCE CONDITIONS)

Under the Long Term Incentive Plan, participating employees are granted conditional awards. These awards are converted into shares in Hulam in 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 December 2014	Conditional awards granted in 2015	Conditional awards exercised in 2015	Conditional awards lapsed/ forfeited in 2015	Number of conditional awards at 31 December 2015	Conditional awards time constrained
R1,10	22.10.2012	1 524 220		733 332	790 888	–	–
R1,97	25.2.2013*	609 746		298 076	311 670	–	–
R3,28	27.5.2013	2 350 561		10 098	66 790	2 273 673	2 273 673
R6,35	24.4.2014	2 904 192		21 544	123 412	2 759 236	2 759 236
R7,60	23.4.2015		2 536 930	2 644	95 358	2 438 928	2 438 928
		7 388 719	2 536 930	1 065 694	1 388 118	7 471 837	7 471 837

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

The volume-weighted average share price during the year for Hulam in shares was R6,56.

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	2015 award: R8,20 (2014 award: R6,90; 2013 awards: R4,56 (February), R4,01 (May); 2012 award: R3,60)
Grant price	The grant price as noted above
Risk-free interest rate	2015 award: 7,13% (2014 award: 7,26%; 2013 award: 5,33%; 2012 award: 5,19%)
Expected volatility	2015 award: 43,22% (2014 award: 46,74%; 2013 awards: 45,48% (February); 46,03% (May); 2012 award: 39,11%)
Expected dividends	2015 award: 0,5% (2014 award: 0,5%; 2013 awards: 4,0% (February); 4,0% (May); 2012 award: 6,15%)
Expected remaining life	2015 award: 28 months (2014 award: 16 months; 2013 awards: 5 months (May); 2012 award: nil)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	Return on capital employed (ROCE)
– Market	Total shareholders' return (TSR)

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

### 33. SHARE-BASED PAYMENTS continued

#### Employee share incentive schemes continued

#### 33.3 HULAMIN LIMITED LONG TERM INCENTIVE SCHEME 2007 (WITHOUT PERFORMANCE CONDITIONS)

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

Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at 31 December 2014	Conditional awards granted in 2015	Conditional awards vested in 2015	Conditional awards exercised in 2015	Conditional awards lapsed/ forfeited exercised in 2015	Number of conditional awards at 31 December 2015
R2,98	22.10.2012	508 070		499 849	8 221	–	–
R4,11	25.2.2013*	301 932		301 932	–	–	–
R4,11	1.3.2013	144 996		–	–	144 996	144 996
R3,64	27.5.2013	781 783		–	18 754	763 029	763 029
R6,82	24.4.2014	1 083 141		10 723	37 595	1 034 823	1 034 823
R8,09	23.4.2015		845 641	1 763	30 905	812 973	812 973
		2 819 922	845 641	814 267	95 475	2 755 821	2 755 821

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

The volume-weighted average share price during the year for Hulamint shares was R6,56.

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	2015 award: R8,20 (2014 award: R6,90; 2013 awards: R4,56 (February); R4,60 (March); R4,01 (May); 2012 award: R3,60)
Grant price	The grant price as noted above
Risk-free interest rate	2015 award: 7,13% (2014 award: 7,26%; 2013 award: 5,33%; 2012 award: 5,19%)
Expected volatility	2015 award: 43,22% (2014 award: 46,74%; 2013 awards: 45,48% (February); 46,03% (May); 2012 award: 39,11%)
Expected dividends	2015 award: 0,5% (2014 award: 0,5%; 2013 awards: 4,0% (February); 4,0% (May); 2012 award: 6,15%)
Expected remaining life	2015 award: 28 months (2014 award: 16 months; 2013 awards: 5 months (May); 2012 award: nil)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None



### 33. SHARE-BASED PAYMENTS continued

#### Employee share incentive schemes continued

##### 33.4 HULAMIN LIMITED DEFERRED BONUS PLAN 2007

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at 31 December 2014	Conditional awards granted in 2015	Conditional awards exercised in 2015	Conditional awards lapsed/forfeited in 2015	Number of conditional awards at 31 December 2015	Conditional awards time constrained
R7,60	R6,91	16.4.2012	37 649		37 649	–	–	–
R4,55	R3,73	4.3.2013	54 220		–	–	54 220	54 220
R6,61	R6,74	14.3.2014	14 907		–	–	14 907	14 907
R6,84	R8,79	8.5.2015	–	17 319	–	–	17 319	17 319
			106 776	17 319	37 649	–	86 446	86 446

The volume-weighted average share price during the year for Hulamín shares was R6,56.

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

Share price at grant date	2015 award: R6,84 (2014 award: R6,84; 2013 award: R4,55; 2012 award: R7,60)
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.
Expected remaining life	2015 award: 29 months (2014 award: 15 months; 2013 award: 4 months)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None

The Deferred Bonus Shares were purchased by the participating employees on 20 April 2012, 13 March 2013, 26 March 2014 and 8 May 2015 in terms of the 2012, 2013, 2014 and 2015 awards respectively.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED FOR THE YEAR ENDED 31 DECEMBER 2015

### 33. SHARE-BASED PAYMENTS continued

#### Other incentive schemes

#### 33.5 BEE EQUITY TRANSACTION

##### Strategic partners

On 22 December 2015, Hulamin concluded agreements with BEE partners (Imbewu SPV 14 (Pty) Ltd) to facilitate the acquisition of an effective 13% equity interest in Hulamin. The BEE partners consist of Eligible Employees and long-standing strategic partners.

The Strategic BEE partners subscribed for 9 018 000 B1 ordinary, 9 018 000 B2 ordinary shares, and 18 036 000 B3 ordinary shares at a total cost of R361 000. For accounting purposes the fair value of the transaction at grant date is R20 000 000, which was expensed in full in the 2015 financial year.

The fair value of the transaction was determined using a Black Scholes valuation model using the following significant inputs:

Share price at grant date	R5,49
Expected option life	Five years
Lock-in period	Three years
Risk-free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,5%
Expected remaining life	59,5 months
Contractual life	60 months
Vesting conditions:	
- Time	Five years
- Non-market	None
- Market	Share price

##### 2015 Hulamin Share Ownership Plan (ESOP)

On 22 December 2015, the ESOP trust subscribed for 4 721 600 A1 ordinary and 26 755 733 A2 ordinary shares. Under the scheme, participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company until the vesting date and the employee must fall within stipulated Patterson Bands.

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

Share price at grant date	R5,49
Grant price	R5,83
Risk-free interest rate	8,58%
Expected volatility	43,15%
Expected dividends	0,5%
Expected remaining life	59,5 months
Contractual life	60 months
Vesting conditions:	
- Time	Five years
- Non-market	None
- Market	Share price

##### Equity-settled share-based payment transaction: Isizinda

Refer to note 11 for details.

### 34. 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	% Equity interest
		2015	2014
<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	100
Hulamin Extrusions (Pty) Ltd*	South Africa	100	100
Hulamin North America LLC*	United States of America	100	100
Isizinda Aluminium (Pty) Ltd*#	South Africa	40	
<b>Associates</b>			
Almin Metal Industries Limited**	Zimbabwe	49	49

\* *Subsidiaries of Hulamin Operations (Pty) Ltd.*

# *Beneficial interest of 100%.*

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

Almin Metal Industries Limited, an associate company, was fully impaired in prior years and at the end of the current reporting period. Therefore, information in respect of the assets, liabilities, revenues and profit or loss of this company has not been disclosed.

All the investments are unlisted.

#### Special purpose vehicles

The following special purpose vehicles have been consolidated:

- ESOP Trust
- Imbewu SPV 14 (Pty) Ltd.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 35. FINANCIAL RISK MANAGEMENT

##### 35.1 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 and export transactions, foreign currency assets and liabilities. 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 R12 059 000 (2014: higher or lower by R6 492 000) 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 2015 than in 2014, 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 R56 376 000 (2014: R41 201 000). 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 2015, 49% (2014: 51%) 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 R28 314 000 (2014: higher or lower by R37 727 000) 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 2015 and 2014. For this reason, profit was no more sensitive to movement in commodity prices in 2015 than in 2014. The above change in aluminium prices would have resulted in equity being lower or higher by R19 809 000 (2014: R18 272 000). 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 (2014: nil) and no effect on equity (2014: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period end net debt, the interest expense for the year would have been higher or lower by R4 876 000 (2014: R2 170 000).

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.

## 35. FINANCIAL RISK MANAGEMENT continued

### 35.1 FINANCIAL RISK FACTORS continued

#### CREDIT RISK

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

All deposits are held with major South African banks and all foreign exchange hedging transactions are undertaken with these banks. All aluminium futures are undertaken with a major London Metal Exchange broker which carries an A 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.

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	2015 R'000	2014 R'000
Working capital		1 000 000	1 200 000
General banking		250 000	250 000
Pension fund		72 019	71 306
Current facilities		1 322 019	1 521 306
Non-current facilities		270 000	-
Total borrowing facilities		1 592 019	1 521 306
Less:			
Non-current borrowings	13	(216 000)	-
Current borrowings	17	(829 401)	(686 144)
Committed undrawn facilities		546 618	835 162

During the year, Hulamin entered into a five-year term loan of R270 000 000 to fund the upgrade of the aluminium recycling plant. Repayments on the loan facility are repayable quarterly in arrears starting on 31 March 2016.

In addition to the term loan, Hulamin borrowing facilities also include a general short-term facility of R250 000 000, revolving working capital facilities of R1 000 million that are committed for a further nine months, and a pension fund loan facility of R72 019 000.

As R54 000 000 of the term loan is due within 12 months, this has been classified as current and the remainder is classified as non-current. Financial liabilities with maturity dates less than one year comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

## NOTES TO THE GROUP FINANCIAL STATEMENTS CONTINUED

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 35. FINANCIAL RISK MANAGEMENT continued

##### 35.1 FINANCIAL RISK FACTORS continued

##### LIQUIDITY RISK continued

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

	Less than one year R'000	One to two years R'000	Two to three years R'000	Three to four years R'000	Greater than four years R'000	Total R'000
<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>2015</b>						
Non-current borrowings	-	54 000	54 000	54 000	54 000	216 000
Current borrowings	829 401					829 401
Trade and other payables (excluding employee benefit payables)	711 109					711 109
Derivative financial liabilities	235 650					235 650
	1 776 160	54 000	54 000	54 000	54 000	1 992 160

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 699 million (2014: R1 527 million) which are payable within a period of three months, including trade payables in the amount of R564 097 000 (2014: R779 627 000). Trade receivables amounting to R1 071 million (2014: R745 266 000) are recoverable within a period of three months.

##### 35.2 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	2015 R'000	2014 R'000
Non-current borrowings	13	216 000	-
Current borrowings	17	829 401	686 144
Total borrowings		1 045 401	686 144
Less: Cash and cash equivalents	10	(70 158)	(249 106)
Net borrowings		975 243	437 038
Total equity		3 854 517	3 833 817
Total capital		4 829 760	4 270 855
Gearing ratio (net debt over total capital)	(%)	20	10

#### 36. POST BALANCE SHEET EVENTS

On 21 February 2016, an amount of R57 044 000 was received from the Department of Trade and Industry in respect of a claim with the Manufacturing Competitiveness Enhancement Programme. This transaction is accounted for in the 2016 financial year as confirmation of the claim approval was received after 31 December 2015.

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