Group balance sheet

AS AT 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	3	**3 263 500**	3 166 800
Intangible assets	4	**69 086**	66 917
Retirement benefit asset	26	**117 397**	142 292
Deferred tax asset	6	**25 463**	20 260
		3 475 446	3 396 269
Current assets			
Inventories	7	**1 825 221**	1 784 805
Trade and other receivables	8	**1 513 096**	1 384 390
Derivative financial assets	9	**64 445**	8 457
Cash and cash equivalents	10	**75 627**	70 158
Income tax asset		**2 603**	12 461
		3 480 992	3 260 271
Total assets		**6 956 438**	6 656 540
EQUITY			
Share capital and share premium	11	**1 817 580**	1 817 580
BEE reserve	32.5	**51 776**	51 224
Employee share-based payment reserve		**55 852**	45 707
Hedging reserve		**15 506**	(92 122)
Retained earnings		**2 405 974**	2 032 128
Total equity		**4 346 688**	3 854 517
LIABILITIES			
Non-current liabilities			
Non-current borrowings	12	**162 000**	216 000
Deferred tax liability	13	**516 533**	486 765
Retirement benefit obligations	14, 26	**258 879**	227 997
		937 412	930 762
Current liabilities			
Trade and other payables	15	**1 141 011**	806 210
Current borrowings	16	**490 444**	829 401
Derivative financial liabilities	9	**15 168**	235 650
Income tax liability		**25 715**	–
		1 672 338	1 871 261
Total liabilities		**2 609 750**	2 802 023
Total equity and liabilities		**6 956 438**	6 656 540

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Group income statement

FOR THE YEAR ENDED 31 DECEMBER 2016

		Notes	2016 R'000	2015 R'000
Revenue			**10 099 349**	8 394 986
Cost of sales		18	**(8 957 621)**	(7 855 025)
Gross profit			**1 141 728**	539 961
Selling, marketing and distribution expenses		18	**(443 881)**	(382 204)
Administrative and other expenses		18	**(144 892)**	(111 050)
Other gains and losses		17	**68 559**	248 773
Operating profit			**621 514**	295 480
Interest income		20	**1 309**	2 085
Interest expense		20	**(88 005)**	(68 577)
Profit before tax			**534 818**	228 988
Taxation		21	**(149 885)**	(65 274)
Net profit for the year attributable to equity holders of the company			**384 933**	163 714
Earnings per share		22		
Basic	(cents)		**120**	51
Diluted	(cents)		**117**	50

Group statement of comprehensive income

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
Net profit for the year attributable to equity holders of the company	**384 933**	163 714
Other comprehensive income/(loss) for the year	**93 851**	(78 063)
Items that may be reclassified subsequently to profit or loss	**107 628**	(98 736)
Cash flow hedges transferred to income statement	**127 947**	(9 186)
Cash flow hedges created	**21 536**	(127 947)
Income tax effect	**(41 855)**	38 397
Items that will not be reclassified to profit or loss	**(13 777)**	20 673
Remeasurement of retirement benefit obligation	**(14 032)**	25 134
Remeasurement of retirement benefit asset	**(5 103)**	3 578
Income tax effect	**5 358**	(8 039)
Total comprehensive income for the year attributable to equity holders of the company	**478 784**	85 651

Group statement of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2016

	Share capital R'000	Share premium R'000	Consolidated 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
Balance at 31 December 2014	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 18.1)	–	–	–	–	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 32.5)	–	–	–	–	–	31 224	–	31 224
Share-based payment costs on 2015 BEE transaction (note 32.5)	–	–	–	–	–	20 000	–	20 000
Dividends paid	–	–	–	–	–	–	(105 459)	(105 459)
Transfer of share premium to share capital	1 785 620	(1 785 620)	–	–	–	–	–	–
Balance at 31 December 2015	**1 877 597**	**–**	**(60 017)**	**(92 122)**	**45 707**	**51 224**	**2 032 128**	**3 854 517**
Net profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**384 933**	**384 933**
Other comprehensive income net of tax								
– cash flow hedges	**–**	**–**	**–**	**107 628**	**–**	**–**	**–**	**107 628**
– retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**–**	**(13 777)**	**(13 777)**
Value of employee services (note 18.1)	**–**	**–**	**–**	**–**	**26 998**	**–**	**–**	**26 998**
Settlement of employee share incentives	**–**	**–**	**–**	**–**	**(16 853)**	**–**	**4 417**	**(12 436)**
Tax on employee share incentives	**–**	**–**	**–**	**–**	**–**	**–**	**(1 727)**	**(1 727)**
Equity-settled share-based payment: Isizinda (note 32.5)	**–**	**–**	**–**	**–**	**–**	**552**	**–**	**552**
Balance at 31 December 2016	**1 877 597**	**–**	**(60 017)**	**15 506**	**55 852**	**51 776**	**2 405 974**	**4 346 688**

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Group cash flow statement

FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated before working capital changes	24	**743 113**	540 224
Changes in working capital	25	**165 679**	(279 771)
Cash generated from operations		**908 792**	260 453
Interest paid		**(103 101)**	(89 028)
Interest received		**1 309**	2 085
Income tax payment		**(127 972)**	(49 735)
Net cash inflow from operating activities		**679 028**	123 775
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	3	**(314 856)**	(472 358)
Government grant received	3.5	**57 047**	–
Acquisition of business		**–**	(100 170)
Additions to intangible assets	4	**(13 551)**	(15 480)
Proceeds on disposal of property, plant and equipment		**7 681**	44 679
Net cash outflow from investing activities		**(263 679)**	(543 329)
CASH FLOWS FROM FINANCING ACTIVITIES			
(Repayment of)/proceeds from non-current borrowings	12	**(54 000)**	270 000
(Repayment of)/proceeds from current borrowings		**(338 957)**	89 257
Settlement of employee share incentives		**(12 436)**	(24 397)
Proceeds to settle equity option		**–**	4 000
Dividends paid		**–**	(105 459)
Net cash (outflow)/inflow from financing activities		**(405 393)**	233 401
Net increase/(decrease) in cash and cash equivalents		**9 956**	(186 153)
Cash and cash equivalents at beginning of year		**70 158**	249 106
Effects of exchange rate changes on cash and cash equivalents		**(4 487)**	7 205
Cash and cash equivalents at end of year	10	**75 627**	70 158

Index to the notes to the group financial statements

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

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 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 which are applicable to the group

- Amendment to IAS 1 "Presentation of financial statements"
- Amendment to IAS 27 "Separate financial statements"

Standards, amendments and interpretations in issue not yet effective which are applicable to the group

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:

- IAS 7 "Cash flow statements" (effective 1 January 2017)
- IAS 12 "Income taxes" (effective 1 January 2017)
- IFRS 2 "Share-based payments" (effective from 1 January 2018)
- IFRS 9 "Financial Instruments" (effective from 1 January 2018)
- IFRS 15 "Revenue from contracts with customers" (effective 1 January 2018)
- IFRS 16 "Leases" (effective 1 January 2019)
- IFRIC 22 "Foreign currency transactions and advance consideration" (effective 1 January 2018)

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 with in note 1.32.

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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

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 the 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 34. 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 17 of the group financial statements).

1.8 Segment reporting

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

1.9 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.

HULAMIN

FINANCIAL STATEMENTS

1.10 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, where the investment is carried at cost plus post-acquisition changes in the group's share of net assets of the associate, less any provision for impairment, 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 associates 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.

ASSETS

1.11 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.

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.

1.12 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the group will comply with all the attached conditions. Government grants relating to assets are deducted against the carrying amount of the assets.

1.13 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 15 years.
Research costs are expensed when incurred.

1.14 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.

1.15 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.

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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

1.16 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.

1.17 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.

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).

1.18 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. Cash flows on short-term borrowings, where applicable, are presented on a net basis within financing activities in the cash flow statement.

EQUITY AND LIABILITIES

1.19 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.

1.20 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.

1.21 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 and associates 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.

1.22 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.

1.23 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 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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES CONTINUED

1.23 Employment benefit obligations continued

EMPLOYEE BENEFIT COSTS

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

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

1.24 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.

1.25 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

1.26 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 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.

1.27 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.

1.28 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.

1.29 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.

1.30 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.

1.31 Interest income

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

1.32 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 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, healthcare 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 32 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 19 of the group financial statements.

INVESTMENT IN ISIZINDA ALUMINIUM (PTY) LTD (ISIZINDA)

The group holds a 38,7% (2015: 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.

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

2. OPERATING SEGMENT ANALYSIS

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

In 2015, the group acquired Isizinda Aluminium (Pty) Ltd. This business only supplies slab to Hulamin Rolled Products. The activities of Isizinda Aluminium are integrated into the Hulamin Rolled Products segment.

		2016			2015		
		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
Revenue							
Segment revenue		**9 237 127**	**862 222**	**10 099 349**	7 554 622	840 364	8 394 986
Inter-segment revenue		**–**	**–**	**–**	–	–	–
Revenue from external customers		**9 237 127**	**862 222**	**10 099 349**	7 554 622	840 364	8 394 986
Earnings							
EBITDA*		**750 542**	**56 972**	**807 514**	414 084	30 057	444 141
Depreciation and amortisation		**(163 224)**	**(22 776)**	**(186 000)**	(131 176)	(17 485)	(148 661)
Operating profit		**587 318**	**34 196**	**621 514**	282 908	12 572	295 480
Interest received		**1 309**	**–**	**1 309**	2 085	–	2 085
Interest paid		**(88 005)**	**–**	**(88 005)**	(67 520)	(1 057)	(68 577)
Profit before tax		**500 622**	**34 196**	**534 818**	217 473	11 515	228 988
Taxation		**(139 662)**	**(10 223)**	**(149 885)**	(61 848)	(3 426)	(65 274)
Net profit for the year		**360 960**	**23 973**	**384 933**	155 625	8 089	163 714
Headline earnings							
Net profit for the year		**360 960**	**23 973**	**384 933**	155 625	8 089	163 714
Loss/(profit) on disposal of property, plant and equipment		**(6 093)**	**–**	**(6 093)**	10 538	–	10 538
Bargain purchase gain		**–**	**–**	**–**	(51 868)	–	(51 868)
Tax effect		**897**	**–**	**897**	(3 123)	–	(3 123)
		355 764	**23 973**	**379 737**	111 172	8 089	119 261
Normalised earnings							
Headline earnings		**355 764**	**23 973**	**379 737**	111 172	8 089	119 261
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
Post-retirement medical aid past service costs adjustments		**–**	**–**	**–**	4 857	–	4 857
Equity-settled share-based payment: Isizinda		**552**	**–**	**552**	27 224	–	27 224
		356 316	**23 973**	**380 289**	166 873	9 924	176 797
Headline earnings per share:							
– Basic	(cents)			**119**			37
– Diluted	(cents)			**116**			36
Normalised earnings per share:							
– Basic	(cents)			**119**			55
– Diluted	(cents)			**116**			54
Total assets		**6 663 575**	**292 863**	**6 956 438**	6 335 986	320 554	6 656 540
Total liabilities		**2 568 152**	**41 598**	**2 609 750**	2 754 987	47 036	2 802 023
Other disclosures							
Additions to property, plant and equipment and intangible assets		**299 239**	**29 168**	**328 407**	570 699	34 303	605 002

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

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2. OPERATING SEGMENT ANALYSIS CONTINUED

	2016 R'000	2015 R'000
Analysis of revenue by product market		
Automotive and transport	**1 375 543**	1 281 436
Building and construction	**189 803**	170 810
General engineering	**4 048 832**	3 410 226
Packaging	**4 485 171**	3 532 514
	10 099 349	8 394 986
Geographical analysis of revenue		
South Africa	**3 995 036**	3 781 298
North America	**2 423 884**	2 021 928
Europe	**2 221 782**	1 325 784
Asia	**323 885**	546 815
Middle East	**587 140**	198 208
Australasia	**286 268**	215 217
South America	**254 095**	297 205
Rest of Africa	**7 259**	8 531
	10 099 349	8 394 986

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 455 million (2015: R1 239 million) which arose from sales to the group's largest customer.

Notes to the group financial statements

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	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
3. PROPERTY, PLANT AND EQUIPMENT					
2016					
At cost					
Balance at beginning of year	**7 460 903**	**1 041 343**	**5 936 296**	**189 096**	**294 168**
Additions	**314 856**	**6 439**	**57 346**	**2 381**	**248 690**
Borrowing costs capitalised	**13 162**	**2 448**	**5 714**	**25**	**4 975**
Capitalised from capital works under construction	**–**	**10 615**	**87 213**	**17 344**	**(115 172)**
Government grant (note 5)	**(57 047)**	**–**	**(57 047)**	**–**	**–**
Transfers	**–**	**(1 991)**	**232**	**1 759**	**–**
Disposals	**(63 657)**	**(1 588)**	**(2 775)**	**(59 294)**	**–**
Balance at end of year	**7 668 217**	**1 057 266**	**6 026 979**	**151 311**	**432 661**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**4 294 103**	**522 574**	**3 623 558**	**147 971**	**–**
Charge for the year (note 18)	**172 683**	**14 764**	**147 281**	**10 638**	**–**
Transfers	**–**	**(1 241)**	**232**	**1 009**	**–**
Disposals	**(62 069)**	**–**	**(2 775)**	**(59 294)**	**–**
Balance at end of year	**4 404 717**	**536 097**	**3 768 296**	**100 324**	**–**
Carrying value at 31 December 2016	**3 263 500**	**521 169**	**2 258 683**	**50 987**	**432 661**
2015					
At cost					
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
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 258 140	509 578	3 610 027	138 535	–
Charge for the year (note 18)	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	–
Carrying value at 31 December 2015	3 166 800	518 769	2 312 738	41 125	294 168

The weighted average interest rate used for borrowing costs capitalised is 9,39% (2015: 8,23%).

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 R41 700 000 (2015: R39 983 000) and land and buildings with a carrying value of R203 076 000 (2015: 208 024 000) are encumbered as security for borrowing facilities (notes 12 and 16).

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

	2016 R'000	2015 R'000
4. INTANGIBLE ASSETS		
Software costs – internally generated and capitalised		
Balance at beginning of year	**100 213**	92 128
Additions	**–**	8 085
Disposals	**(2 548)**	–
Reclassification	**(10 743)**	–
Balance at end of year	**86 922**	100 213
Accumulated amortisation		
Balance at beginning of year	**64 126**	58 784
Charge for the year (note 18)	**5 395**	5 342
Disposals	**(2 548)**	–
Reclassification	**(12 025)**	–
Balance at end of year	**54 948**	64 126
Carrying value at end of year	**31 974**	36 087
Software costs – other external		
Balance at beginning of year	**58 954**	51 559
Additions	**13 551**	7 395
Borrowing costs capitalised	**1 934**	–
Disposals	**(7 781)**	–
Reclassification	**10 743**	–
Balance at end of year	**77 401**	58 954
Accumulated amortisation		
Balance at beginning of year	**28 124**	25 126
Charge for the year (note 18)	**7 922**	2 998
Disposals	**(7 781)**	–
Reclassification	**12 024**	–
Balance at end of year	**40 289**	28 124
Carrying value at end of year	**37 112**	30 830
Total software costs		
Cost	**164 323**	159 167
Accumulated amortisation	**(95 237)**	(92 250)
Carrying value at end of year	**69 086**	66 917

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.

Capital work in progress included within the total software cost above is R19 593 000 (2015: R 34 178 000).

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016 R'000	2015 R'000
5.	**GOVERNMENT GRANTS**		
	On 18 February 2016, Hulamin received a government grant in respect of the Manufacturing Competitiveness Enhancement Programme (MCEP) to the value of R57 047 000. The MCEP grant is in relation to Plant and Machinery built. The cost of the assets have been reduced by the value R57 047 000.		
6.	**DEFERRED TAX ASSET**		
	At beginning of year	**20 260**	25 450
	Tax charged directly to equity	**(707)**	(14)
	Income statement		
	Current year credit/(charge)	**3 613**	(4 089)
	Prior year credit/(charge)	**728**	(313)
	Deferred tax credit/(charge) in other comprehensive income	**1 569**	(774)
	At end of year	**25 463**	20 260
	Comprising:		
	Fixed assets	**(7 182)**	(6 734)
	Retirement benefit obligations and other provisions	**31 537**	25 747
	Other	**1 108**	1 247
		25 463	20 260
	Deferred tax asset to be recovered after more than 12 months	**17 963**	14 231
	Deferred tax asset to be recovered within 12 months	**7 500**	6 029
		25 463	20 260
7.	**INVENTORIES**		
	Raw materials	**494 487**	379 550
	Work-in-progress	**424 808**	409 019
	Finished goods	**660 134**	774 345
	Consumable stores	**245 792**	221 891
		1 825 221	1 784 805

Inventories with a carrying value of R1 162 million (2015: R1 635 million) are encumbered as security for borrowing facilities (note 16).

Certain items of inventory are written down (note 18) to net realisable value.

	2016 R'000	2015 R'000
8. TRADE AND OTHER RECEIVABLES		
Financial assets	**1 375 213**	1 245 500
Trade receivables	**1 333 692**	1 205 717
Less: Provision for impairment	**(1 900)**	(4 752)
	1 331 792	1 200 965
Sundry receivables	**43 421**	44 535
Non-financial assets	**137 883**	138 890
Prepayments	**29 963**	40 591
Value-added taxation receivable	**107 920**	98 299
	1 513 096	1 384 390
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	**1 318 471**	1 127 469
Receivables overdue but not impaired	**56 742**	118 031
Overdue by less than 60 days	**48 022**	106 526
Overdue by more than 60 days	**8 720**	11 505
Total financial assets, net of provision for impairment	**1 375 213**	1 245 500

One debtor comprises 17% (2015: 27%) 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 (excluding sundry receivables), in local and overseas markets, and the extent to which these are subject to credit insurance cover is as follows:

		2016 R'000	2015 R'000
Local trade receivables		**308 417**	244 700
– Balance subject to credit insurance	(%)	**97**	95
Export trade receivables		**957 094**	826 005
– Balance subject to credit insurance	(%)	**100**	100
		1 265 511	1 070 705

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:

	2016 R'000	2015 R'000
At 1 January	**4 752**	6 222
Receivables written off during the year as uncollectible	**(2 637)**	(1 892)
Net (reduction)/creation during the year	**(215)**	422
At 31 December	**1 900**	4 752

Trade and other receivables with a carrying value of R1 095 million (2015: R1 123 million) have been ceded as security for borrowing facilities (note 16).

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 Foreign amount '000	2016 Rand amount R'000	2015 Rand amount R'000
8. TRADE AND OTHER RECEIVABLES CONTINUED			
The group had the following uncovered export trade debtors at the period-end:			
Euro	**907**	**13 011**	5 634
US Dollar	**8 462**	**115 184**	9 256
		128 195	14 890

	2016 R'000	2015 R'000
9. DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign currency management – firm commitments and probable forecast sales (note 9.1)	**35 859**	(183 088)
Foreign currency management – trade debtors, creditors and import orders (note 9.2)	**22 229**	(44 233)
Commodity price management (note 9.3)	**(8 811)**	128
	49 277	(227 193)
Grouped as:		
Financial assets	**64 445**	8 457
Financial liabilities	**(15 168)**	(235 650)
	49 277	(227 193)

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 2016 is R63 263 000 (2015: R128 000).

The fair value of the financial instruments is determined by applying the methods disclosed in notes 1.17 and 1.22.

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

The group's financial risk management strategy is discussed in note 34.

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 hedges of firm commitments and probable forecast sales and were designated as hedging instruments in terms of hedge accounting.

	2016			2015		
	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000
Forward purchases						
US Dollar (note 9.1.1)	3 698	52 329	(2 002)	4 581	66 315	7 475
		52 329	(2 002)		66 315	7 475
Forward sales						
Euro (note 9.1.1)	(714)	(10 701)	686	(3 395)	(53 260)	(6 738)
Pound Sterling (note 9.1.1)	–	–	–	(18)	(392)	(35)
US Dollar (note 9.1.2)	(76 959)	(1 097 652)	37 175	(100 659)	(1 408 505)	(183 790)
		(1 108 353)	37 861		(1 462 157)	(190 563)
Net total		(1 056 024)	35 859		(1 395 842)	(183 088)
Maturing in:						
2016		–	–		(1 395 842)	(183 088)
2017		(1 056 024)	35 859		–	–
		(1 056 024)	35 859		(1 395 842)	(183 088)
Cash flow hedges (note 9.1.2)		(1 097 652)	37 175		(1 408 505)	(183 790)
Fair value hedges (note 9.1.1)		41 628	(1 316)		12 663	702
		(1 056 024)	35 859		(1 395 842)	(183 088)
Grouped as:						
Financial assets			36 255			–
Financial liabilities			(396)			(183 088)
			35 859			(183 088)

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
FOR THE YEAR ENDED 31 DECEMBER 2016

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 on trade debtors and creditors balances and import orders, but were not designated as hedging instruments for hedge accounting purposes at the period end:

	2016			2015		
	Foreign amount '000	**Rand amount R'000**	**Fair value asset/(liability) R'000**	Foreign amount '000	Rand amount R'000	Fair value asset/(liability) R'000
Forward purchases						
Euro	**2 533**	**39 137**	**(2 159)**	2 662	42 396	3 580
Pound Sterling	**639**	**11 209**	**(455)**	1 825	41 376	745
US Dollar	**6 586**	**93 206**	**(2 193)**	5 213	75 470	4 906
		143 552	**(4 807)**		159 242	9 231
Forward sales						
Euro	**(13 702)**	**(205 246)**	**6 922**	(10 146)	(159 164)	(11 941)
Pound Sterling	**(1 118)**	**(19 741)**	**859**	(502)	(10 889)	(686)
US Dollar	**(56 537)**	**(795 286)**	**19 255**	(35 940)	(523 752)	(40 837)
		(1 020 273)	**27 036**		(693 805)	(53 464)
Net total		**(876 721)**	**22 229**		(534 563)	(44 233)
Maturing in:						
2016		**–**	**–**		(534 563)	(44 233)
2017		**(876 721)**	**22 229**		–	–
		(876 721)	**22 229**		(534 563)	(44 233)
Grouped as:						
Financial assets			**22 475**			–
Financial liabilities			**(246)**			(44 233)
			22 229			(44 233)

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9. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

9.3 Commodity price management

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

	2016			2015		
	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:						
2016	–	–	–	(17 350)	(406 463)	128
2017	(18 175)	(409 922)	(8 811)	–	–	–
	(18 175)	(409 922)	(8 811)	(17 350)	(406 463)	128
Grouped as:						
Financial assets			5 715			8 457
Financial liabilities			(14 526)			(8 329)
			(8 811)			128
Cash flow hedges (note 9.3.1)			(10 495)			3 693
Fair value hedges (note 9.3.2)			1 684			(3 565)
			(8 811)			128

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.

		2016 R'000	2015 R'000
10. CASH AND CASH EQUIVALENTS			
Bank balances		75 307	69 691
Cash on hand		320	467
		75 627	70 158
Effective interest rates	(%)	4,85	4,50
Included in bank balances are the following foreign currency denominated accounts:			
Euro		738	29
Pound Sterling		77	–
Swiss Franc		11	–
US Dollar		2 715	889

Bank balances with a carrying value of R69 404 000 (2015: R38 119 000) have been ceded as security for borrowing facilities (note 16).

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 R'000	2015 R'000
11. SHARE CAPITAL AND SHARE PREMIUM		
11.1 Authorised		
800 000 000 ordinary shares of no par value (2015: 800 000 000 ordinary shares)		
31 477 333 A ordinary shares of no par value (2015: 31 477 333 A ordinary shares)		
36 072 000 B ordinary shares of no par value (2015: 36 072 000 B ordinary shares)		
The A ordinary shares consist of 4 721 600 A1 shares and 26 755 733 A2 shares.		
The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.		
11.2 Issued		
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (2015: 319 268 492 shares of 10 cents each)	**1 817 580**	31 960
Issued during year: nil (2015: nil)	**–**	–
Transfer from share premium	**–**	1 785 620
Closing balance: 319 596 836 shares of no par value (2015: 319 596 836 shares of no par value)	**1 817 580**	1 817 580
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares of no par value (2015: nil)	**59 656**	–
Issued during the year: nil (2015: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**–**	59 656
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares of no par value (2015: nil)	**361**	–
Issued during the year: nil (2015: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**–**	361
Total issued stated/share capital	**1 877 597**	1 877 597
Share premium		
Opening balance	**–**	1 785 620
Transfer to share capital	**–**	(1 785 620)
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital/share capital and share premium	**1 817 580**	1 817 580

11.3 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 A2 and B ordinary shares have no entitlement to dividends.

11.4 Unissued

Under option to employees

Details of the employee share incentive schemes, including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 32.

Under the control of the directors

At 31 December 2016, 6 801 529 unissued ordinary shares (2015: 6 801 529) were under the control of the directors, for the purpose, *inter alia,* of existing employee share incentive schemes.

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FINANCIAL STATEMENTS

		2016 R'000	2015 R'000
12. NON-CURRENT BORROWINGS			
Nedbank		**216 000**	270 000
Less: Current portion included in current borrowings (note 16)		**(54 000)**	(54 000)
		162 000	216 000
Effective interest rate	(%)	**10,05**	9,53

The Nedbank long-term loan is secured against a mortgage bond of R405 000 000 (2015: R405 000 000) over land and buildings disclosed in note 3.

The fair values of the non-current borrowings approximate their carrying value.

The loan is repayable in quarterly instalments over five years commencing in March 2016.

As R54 000 000 (2015: R54 000 000) is due within 12 months from reporting date, it has been reclassified to current borrowings (note 16).

	2016 R'000	2015 R'000
13. DEFERRED TAX LIABILITY		
At beginning of year	**486 765**	477 702
Tax charged/(credited) directly to equity	**39 060**	(28 050)
Deferred tax on business combination	**–**	16 324
Income statement		
Current year (credit)/charge	**(8 858)**	21 574
Prior year credit	**(434)**	(785)
At end of year	**516 533**	486 765
Comprising:		
Accelerated tax depreciation	**579 973**	564 783
Provisions and leave pay accruals	**(102 338)**	(61 662)
Defined benefit fund	**34 491**	38 222
Share schemes	**(4 770)**	(11 154)
Hedging reserve	**6 030**	(35 825)
Trade receivable prepayments	**–**	(6 426)
Other	**3 689**	(288)
Assessed loss	**(542)**	(885)
	516 533	486 765
Deferred tax liability to be settled after more than 12 months	**529 337**	544 204
Deferred tax liability to be settled within 12 months	**(12 804)**	(57 439)
	516 533	486 765
14. RETIREMENT BENEFIT OBLIGATIONS		
Post-retirement medical aid provision	**221 019**	195 606
Retirement gratuity provision	**37 860**	32 391
	258 879	227 997

The movements in these provisions are detailed in note 26.

	2016 R'000	2015 R'000
15. TRADE AND OTHER PAYABLES		
Trade payables	**887 873**	564 097
Leave pay and bonus accruals	**133 399**	85 101
Sundry accruals and other payables	**119 739**	157 012
	1 141 011	806 210

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016 R'000	2015 R'000
16. CURRENT BORROWINGS			
Nedbank revolving facilities		**362 817**	703 382
Current portion of term loan (note 12)		**54 000**	54 000
Pension fund loan (notes 26 and 30)		**73 627**	72 019
		490 444	829 401
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**9,19**	8,32
Pension fund loan	(%)	**7,89**	7,89

The Nedbank revolving facilities comprise a gross borrowings of R666 406 000 (2015: R926 647 000) which has been offset by bank balances of R303 589 000 (2015: R223 265 000) in terms of the loan agreements with Nedbank.

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

Refer to note 12 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.

	2016 R'000	2015 R'000
17. OTHER GAINS AND LOSSES		
Profit/(loss) on disposal of property, plant and equipment	**6 093**	(10 538)
Valuation adjustments on non-derivative items (note 17.1)	**(154 256)**	203 072
Valuation adjustments on derivative items (note 17.2)	**216 722**	4 371
Bargain purchase gain	**–**	51 868
	68 559	248 773
17.1 Valuation adjustments on non-derivative items		
Foreign exchange gains on debtors and creditors balances	**(149 769)**	207 640
Foreign currency denominated cash balances	**(4 487)**	7 156
Valuation (losses)/gains on firm commitments	**–**	(11 724)
	(154 256)	203 072
17.2 Valuation adjustments on derivative items		
Foreign exchange contracts: debtors and creditors balances	**107 469**	(141 895)
Foreign exchange contracts: firm commitments	**(10 834)**	8 675
Commodity futures: fair value hedges	**43 078**	26 150
	139 713	(107 070)
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	**77 009**	111 441
	216 722	4 371
17.3 Ineffective portion of all hedges recognised in profit or loss		
Fair value hedges	**3 029**	3 436
Cash flow hedges	**(10 085)**	(858)
	(7 056)	2 578
17.4 The following amounts are included in revenue		
Cash flow hedge losses transferred from equity	**(4 932)**	(166 597)

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		2016 R'000	2015 R'000
18.	**EXPENSES BY NATURE**		
	Aluminium and other material costs	**6 626 767**	5 667 073
	Utilities and other direct manufacturing costs	**774 329**	657 418
	Employment costs (note 18.1)	**1 048 174**	929 937
	Depreciation (note 3)	**172 683**	140 321
	Amortisation of intangible assets (note 4)	**13 317**	8 340
	Repairs and maintenance	**257 720**	255 100
	Freight and commissions	**365 765**	308 630
	Other operating income and expenditure (note 18.2)	**287 639**	381 460
		9 546 394	8 348 279
	Classified as:		
	Cost of sales	**8 957 621**	7 855 025
	Selling, marketing and distribution expenses	**443 881**	382 204
	Administrative and other expenses	**144 892**	111 050
		9 546 394	8 348 279
18.1	**Employment costs**		
	Salaries and wages	**950 403**	839 123
	Retirement benefits costs:		
	Defined contribution schemes (note 26)	**52 236**	50 306
	Defined benefit scheme (note 26)	**(10 551)**	(8 227)
	Post retirement medical aid costs (note 26)	**23 444**	27 209
	Retirement gratuities (note 26)	**5 644**	4 749
	Share incentive costs	**26 998**	16 777
		1 048 174	929 937
18.2	**Other operating income and expenditure**		
	Other operating income and expenditure includes:		
	Write-down of inventories	**(8 066)**	13 669
	Operating leases	**19 303**	22 245
	Decrease in provision for impairment of debtors	**(2 852)**	(1 470)
	Auditors' remuneration (note 18.3)	**5 475**	4 633
	Equity-settled share-based payment: Isizinda	**552**	27 224
	Share-based payment costs on 2015 BEE transaction	**–**	20 000
18.3	**Auditors' remuneration**		
	Audit fees	**4 840**	4 282
	Fees for other services	**225**	155
	Expenses	**410**	196
		5 475	4 633

Notes to the group financial statements

FOR THE YEAR ENDED 31 DECEMBER 2016

19. IMPAIRMENT OF NON-CURRENT ASSETS

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) net of liabilities at the period-end. The recoverable amount was determined to be the value-in-use. The assessment compared the estimated value-in-use based on forecast future cash flows to the carrying amount.

19.1 Hulamin Rolled Products cash-generating unit

The recoverable amount of these assets at 31 December 2016 was above the carrying amount and no impairment charge is thus required.

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

- Sales volumes are forecast to grow to 225 000 tons over the period of the business plan.
- Rolling margins forecasts take into account anticipated changes in both market conditions and the product mix.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2018 and with reference to inflation differentials thereafter, with the ZAR/USD rate rising from an average of R13,98 in 2017 to R14,87 in 2021.

A pre-tax discount rate of 15,0% (post-tax 12,2%) was used in the calculation and this rate is similar to the 14,9% (post-tax 11,6%) used in 2015. The increase in the rate was caused by both an increase in the cost of borrowings and the cost of equity. 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 Hulamin Rolled Products, and any resulting impairment, is particularly sensitive to:

- **Discount rate.** A 1% increase in the post-tax discount rate would result in an impairment charge, before tax, of R48 million.
- **Rolling margins.** A reduction in average rolling margins of 5,0% for each year in the forecast period would result in an impairment charge, before tax, of R1 103 million.
- **Rate of exchange.** A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period would result in an impairment charge, before tax, of R1 352 million.

19.2 Hulamin Extrusions cash-generating unit

It was determined, as at 31 December 2016, that no impairment of the carrying values of the assets of this cash-generating unit is required.

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		2016 R'000	2015 R'000
20. NET FINANCE COSTS			
Interest expense		**88 005**	68 577
Non-current borrowings interest		**25 060**	9 626
Current borrowings interest		**78 041**	79 402
Interest capitalised		**(15 096)**	(20 451)
Interest income		**(1 309)**	(2 085)
Net finance costs		**86 696**	66 492
21. TAXATION			
South African normal taxation:			
Current			
Current year charge		**161 485**	38 104
Prior year under provision		**2 033**	1 978
Deferred			
Current year (credit)/charge		**(12 471)**	25 664
Prior year over provision		**(1 162)**	(472)
		149 885	65 274
South African income tax is levied on the company and its subsidiaries and not the group.			
Tax rate reconciliation			
Normal rate of taxation	(%)	**28,0**	28,0
Adjusted for:			
Capital (gains)/losses on disposal of property, plant and equipment	(%)	**(0,2)**	0,5
Prior year adjustment	(%)	**0,2**	–
Share-based payment costs on 2015 BEE transaction	(%)	**–**	5,7
Bargain purchase gain	(%)	**–**	(6,3)
Prior year adjustment	(%)	**–**	0,6
Effective rate of taxation	(%)	**28,0**	28,5

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22. EARNINGS PER SHARE

22.1 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.

Reconciliation of denominators used for basic and diluted earnings per share, headline earnings per share and basic normalised earnings per share

	December 2016 Number of shares	December 2015 Number of shares
Basic EPS – weighted average number of shares	**319 596 836**	319 596 836
Share options	**9 064 508**	7 666 904
Diluted EPS – weighted average number of shares	**328 661 344**	327 263 740

		2016 R'000	2015 R'000
22.2 Earnings per share			
Basic	(cents)	**120**	51
Diluted	(cents)	**117**	50
22.3 Headline earnings per share			
Net profit for the year		**384 933**	163 714
Adjustments		**(5 196)**	(44 453)
– (Profit)/loss on disposal of property, plant and equipment		**(6 093)**	10 538
– Bargain purchase gain		**–**	(51 868)
– Tax effect		**897**	(3 123)
Headline earnings		**379 737**	119 261
Headline earnings per share			
Basic	(cents)	**119**	37
Diluted	(cents)	**116**	36
22.4 Normalised earnings per share			
Headline earnings		**379 737**	119 261
Adjusted for (net of tax):			
Share-based payment costs on 2015 BEE transaction		**–**	20 000
Transaction costs*		**–**	5 455
Post-retirement medical aid past service costs adjustments		**–**	4 857
Equity-settled share-based payment: Isizinda		**552**	27 224
Normalised earnings		**380 289**	176 797
Normalised earnings per share			
Basic	(cents)	**119**	55
Diluted	(cents)	**116**	54

* *This relates to the aggregate transaction costs incurred during the year in respect of various corporate acquisition, BEE ownership and investment activities.*

	2016 R'000	2015 R'000
23. DIVIDENDS PER SHARE		
Dividends per share declared		
Interim dividend: nil (2015: 8 cents on 319 596 836 ordinary shares)	**–**	25 568
Final dividend: 15 cents on 319 596 836 ordinary shares (2015: nil)	**47 940**	–
Final dividend: 15 cents on 4 721 600 A1 ordinary shares (2015: nil)	**708**	–
Total	**48 648**	25 568

The final dividend was declared subsequent to year-end and therefore has not been provided for in the group financial statements.

	2016 R'000	2015 R'000
24. CASH GENERATED BEFORE WORKING CAPITAL CHANGES		
Operating profit	**621 514**	295 480
Adjusted for:		
Depreciation	**172 683**	140 321
Amortisation of intangible assets	**13 317**	8 340
(Profit)/loss on disposal of property, plant and equipment	**(6 093)**	10 538
Net movement in retirement benefit asset and obligations	**36 642**	16 902
Value of employee services	**26 998**	16 777
Movements in derivatives	**(126 987)**	63 715
Foreign exchange losses/(gains) on cash and cash equivalents	**4 487**	(7 205)
Equity-settled share-based payment: Isizinda	**552**	27 224
Share-based payment costs on 2015 BEE transaction	**–**	20 000
Bargain purchase gain	**–**	(51 868)
	743 113	540 224

	2016 R'000	2015 R'000
25. CHANGES IN WORKING CAPITAL		
(Increase)/decrease in inventories	**(40 416)**	215 327
Increase in trade and other receivables	**(128 706)**	(336 481)
Increase/(decrease) in trade and other payables	**334 801**	(158 617)
	165 679	(279 771)

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26. RETIREMENT BENEFITS

RETIREMENT BENEFIT SCHEMES

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

a. Provident Fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R12 124 000 (2015: R12 944 000) 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 2016.

26. RETIREMENT BENEFITS CONTINUED

RETIREMENT BENEFIT SCHEMES CONTINUED

(b) Hulamin Pension Fund continued

	2016 R'000	2015 R'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**131 552**	152 524
Present value of funded obligations	**(14 155)**	(10 232)
Pension fund asset at end of year	**117 397**	142 292
Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**10 232**	8 327
Current service cost	**2 923**	3 331
Interest cost	**1 411**	1 011
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 275**	(1 980)
Actuarial gains arising from experience adjustments	**(1 391)**	(121)
Benefits paid	**(295)**	(336)
Defined benefit obligation at end of year	**14 155**	10 232
Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:		
Fair value of plan assets at beginning of year	**152 524**	147 181
Actual return on plan assets	**9 666**	14 046
Interest income	**14 885**	12 569
Remeasurements:		
Return on plan assets, excluding amounts included in interest income	**(5 219)**	1 477
Benefits paid	**(295)**	(336)
Contribution funded from employer reserves	**(30 343)**	(8 367)
Fair value of plan assets at end of year	**131 552**	152 524
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**55 404**	55 867
Conservative portfolio	**135**	53
Money market and cash	**2 386**	24 585
Other assets:		
Loan to employer company (notes 16 and 30)	**73 627**	72 019
	131 552	152 524
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**55 539**	55 921

26. RETIREMENT BENEFITS CONTINUED

RETIREMENT BENEFIT SCHEMES CONTINUED

(b) Hulamin Pension Fund continued

		2016 R'000	2015 R'000
The amounts recognised in the income statement are as follows:			
Defined benefit plan (retirement benefit equalisation value)		**(10 551)**	(8 227)
Current service cost		**2 923**	3 331
Net interest income		**(13 474)**	(11 558)
Defined contribution plan		**40 112**	37 362
Employer contribution from reserves (utilisation of employer surplus account)		**30 343**	8 367
Employer cash contribution		**9 769**	28 995
		29 561	29 135
Amounts recognised in other comprehensive income are as follows:			
Actuarial (gains)/losses arising from changes in financial assumptions		**1 275**	(1 980)
Actuarial gains arising from experience adjustments		**(1 391)**	(121)
Return on plan assets, excluding amounts included in interest income		**5 219**	(1 477)
The average duration of the benefit obligation at 31 December 2016 is 22,7 years (2015: 23,5 years).			
Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**9,70**	10,85
Future inflation rate	(%)	**6,70**	7,40
Sensitivity of discount rate:			
1% increase in discount rate			
– effect on current service cost		**(580)**	(551)
1% increase in discount rate			
– effect on the obligation		**(2 611)**	(1 931)
1% decrease in discount rate			
– effect on current service cost		**733**	700
1% decrease in discount rate			
– effect on the obligation		**3 294**	2 449

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.

	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
POST-RETIREMENT MEDICAL AID BENEFITS		
The group has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.		
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**221 019**	195 606
Liability in the balance sheet	**221 019**	195 606
The liability can be reconciled as follows:		
Balance at beginning of year	**195 606**	203 445
Total expense accrued	**23 444**	27 209
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**12 026**	(20 740)
Actuarial losses/(gains) arising from experience adjustments	**1 378**	(1 610)
Benefit payments	**(11 435)**	(12 698)
Balance at end of year	**221 019**	195 606
Amounts recognised in the income statement are as follows:		
Interest costs	**20 964**	17 741
Current service costs	**2 480**	2 722
Past service costs adjustments (note i)	**–**	7 039
Settlement gains (note ii)	**–**	(293)
	23 444	27 209
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**12 026**	(20 740)
Actuarial losses/(gains) arising from experience adjustments	**1 378**	(1 610)
	13 404	(22 350)

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.*

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 in 2015 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.

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	2016 R'000	2015 R'000
26. RETIREMENT BENEFITS CONTINUED		
POST-RETIREMENT MEDICAL AID BENEFITS CONTINUED		
Changes in the principal financial assumptions are detailed below.		
Principal financial assumptions:		
Discount rate	**9,70**	10,85
Future company subsidy rate – in service	**8,15**	8,85
Future company medical subsidy increase – pensioners	**8,45**	9,15
Sensitivity of future company subsidy rate:		
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs	**3 591**	3 520
1% increase in future company subsidy rate – effect on the obligation	**30 583**	26 993
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	**(2 964)**	(2 904)
1% decrease in future company subsidy rate – effect on the obligation	**(25 411)**	(22 424)
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(969)**	(1 127)
1% increase in discount rate – effect on the obligation	**(24 907)**	(21 901)
1% decrease in discount rate – effect on current service cost	**1 074**	1 283
1% decrease in discount rate – effect on the obligation	**30 453**	26 758

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 2016 is 13,6 years (2015: 13,7 years). This number is analysed as follows:

- active members 19,9 years (2015: 20,1 years)
- retired members 9,9 years (2015: 9,8 years)

	2016 R'000	2015 R'000
Estimated benefits payable by the group in the next financial year	**11 182**	9 730

26. RETIREMENT BENEFITS CONTINUED

RETIREMENT GRATUITIES

The group has in the past made discretionary payments, on retirement, to eligible employees who have remained in service until retirement age, and have completed a minimum service period. This constructive obligation is unfunded.

	2016 R'000	2015 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**37 860**	32 391
Liability in the balance sheet	**37 860**	32 391
The liability can be reconciled as follows:		
Balance at beginning of year	**32 391**	32 924
Total expense accrued	**5 644**	4 749
Remeasurements:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 690**	(2 893)
Actuarial (gains)/losses arising from experience adjustments	**(1 062)**	109
Gratuity payments	**(803)**	(2 498)
Balance at end of year	**37 860**	32 391
Amounts recognised in the income statement are as follows:		
Interest costs	**3 679**	2 833
Service costs	**1 965**	1 916
	5 644	4 749
Amounts recognised in other comprehensive income are as follows:		
Actuarial losses/(gains) arising from changes in financial assumptions	**1 690**	(2 893)
Actuarial (gains)/losses arising from experience adjustments	**(1 062)**	109
	628	(2 784)

Principal risks

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

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

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

Changes in the principal financial assumptions are detailed below.

		2016	2015
Principal financial assumptions:			
Discount rate	(%)	**9,70**	10,85
Future salary inflation rate	(%)	**8,15**	7,75
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**799**	735
1% increase in future salary inflation rate – effect on the obligation		**4 357**	3 798
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(685)**	(631)
1% decrease in future salary inflation rate – effect on the obligation		**(3 791)**	(3 310)

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26. RETIREMENT BENEFITS CONTINUED

RETIREMENT GRATUITIES CONTINUED

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 2016 is 11,6 years (2015: 12,2 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R1 024 000 (2015: R890 000).

	2016 R'000	2015 R'000
27. LEASE COMMITMENTS		
Operating lease commitments, amounts due:		
Not later than one year	**13 538**	18 742
Later than one year and not later than five years	**17 244**	22 292
	30 782	41 034
In respect of:		
Property	**3 333**	4 921
Plant and machinery	**27 449**	36 113
	30 782	41 034

The group leases forklift trucks and offices under non-cancellable operating lease agreements.

The leases have varying terms, escalation clauses and renewal rights.

28. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:

	2016 R'000	2015 R'000
Property, plant and equipment	**109 734**	202 632

Capital expenditure will be funded by a combination of external borrowings and cash flows from operations.

29. CONTINGENT LIABILITIES

The group has no contingent liabilities as at 31 December 2016 (2015: nil).

30. RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the group and the pension fund are disclosed below:

	2016 R'000	2015 R'000
Loan from pension fund (refer to notes 16 and 26)	**73 627**	72 019

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 31.

31. DIRECTORS' REMUNERATION AND INTEREST

Directors' and prescribed officer's remuneration during the 2016 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments^ Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted# Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
M E Mkwanazi	493 694	252 043	–	–	–	–	745 737	–	745 737	–
L C Cele	287 214	116 095	–	–	–	–	403 309	–	403 309	–
V N Khumalo*	181 912	97 865	–	–	–	–	279 777	–	279 777	–
T P Leeuw	298 259	149 831	–	–	–	–	448 090	–	448 090	–
J B Magwaza	71 660	34 686	–	–	–	–	106 346	–	106 346	–
N N A Matyumza	287 214	131 391	–	–	–	–	418 605	–	418 605	–
S P Ngwenya	181 912	72 387	–	–	–	–	254 299	–	254 299	–
P H Staude	227 443	91 102	–	–	–	–	318 545	–	318 545	–
G H M Watson	544 166	251 028	–	–	–	–	795 194	–	795 194	–
N Maharaj[1]	49 429	25 420	–	–	–	–	74 849	–	74 849	–
C A Boles[2]	37 071	25 420	–	–	–	–	62 491	–	62 491	–
B Mehlomakulu[3]	24 714	12 710	–	–	–	–	37 424	–	37 424	–
	2 684 688	1 259 978	–	–	–	–	3 944 666	–	3 944 666	–
Executive										
R G Jacob	–	–	4 243 848	3 281 810	111 014	529 656	8 166 328	1 875 989	10 042 317	1 028 152
D A Austin[4]	–	–	1 041 420	–	46 982	129 903	1 218 305	–	1 218 305	784 733
A P Krull[5]	–	–	2 082 840	1 366 237	80 298	259 805	3 789 180	824 248	4 613 428	–
M Z Mkhize	–	–	2 905 128	1 659 464	200 611	362 316	5 127 519	790 204	5 917 723	446 062
	–	–	10 273 236	6 307 511	438 905	1 281 680	18 301 332	3 490 441	21 791 773	2 258 947
Prescribed officer										
HT Molale	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	–	–	2 464 956	836 011	124 180	307 295	3 732 442	670 204	4 402 646	318 176
	2 684 688	1 259 978	12 738 192	7 143 522	563 085	1 588 975	25 978 440	4 160 645	30 139 085	2 577 123

^ *The bonus payments reflected above are in relation to the 2016 year, paid in 2017.*

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

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

1 *Mr N Maharaj was appointed to the board with effect from 1 September 2016.*

2 *Mr C A Boles was appointed to the board with effect from 1 October 2016.*

3 *Dr B Mehlomakulu was appointed to the board with effect from 1 November 2016.*

4 *Mr D A Austin resigned from the company with effect from 30 April 2016.*

5 *Mr A P Krull was appointed to the position of CFO to replace Mr Austin with effect from 1 May 2016.*

Executive Committee members' remuneration during the 2016 financial year*

	Cash package Rand	Bonus and performance related payments^ Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	8 520 533	4 636 787	416 353	1 062 112	14 635 785	2 537 812	17 173 597	1 217 742

* *Excluding executive directors and prescribed officer.*

^ *The bonus payments reflected above are in relation to the 2016 year, paid in 2017.*

31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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^ Rand	Medical aid contri-butions Rand	Retirement fund contri-butions Rand	Subtotal Rand	Value of options granted# Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
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@	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	–
Executive										
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
Prescribed officer										
HT Molale	–	–	2 318 172	231 734	112 836	288 947	2 719 955	906 349	3 626 304	1 124 888
	–	–	2 318 172	231 734	112 836	288 947	2 719 955	906 349	3 626 304	1 124 888
	2 753 723	1 112 359	11 980 229	1 661 673	574 932	1 483 130	19 334 312	5 938 705	25 273 017	5 569 863

^ *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.*

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

@ *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^ 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.*

^ *The bonus payments reflected above are in relation to the 2015 year, paid in 2016.*

31. 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 granted in 2015	Number of rights at December 2015	**Number of rights granted in 2016**	**Number of rights exercised in 2016**	**Number of rights lapsed in 2016**	**Number of rights at December 2016**	Rights time constrained
Executive director										
D A Austin	–	234 243	196 546	135 553	566 342	**–**	**–**	**566 342**	**–**	–
R G Jacob	–	487 429	633 100	396 925	1 517 454	**744 440**	**–**	**487 429**	**1 774 465**	1 774 465
M Z Mkhize	261 503	470 418	201 780	138 555	1 072 256	**313 573**	**–**	**229 246**	**1 156 583**	653 908
	261 503	1 192 090	1 031 426	671 033	3 156 052	**1 058 013**	**–**	**1 283 017**	**2 931 048**	2 428 373
Prescribed officer										
HT Molale	–	147 033	150 157	117 625	414 815	**265 954**	**–**	**147 033**	**533 736**	533 736
	–	147 033	150 157	117 625	414 815	**265 954**	**–**	**147 033**	**533 736**	533 736
Grant price	R6,91	R4,01	R6,90	R8,20		R6,30				
Grant date	25 May 2011	27 May 2013	24 Apr 2014	23 Apr 2015		22 Apr 2016				

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

	Number of rights granted in 2013	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights at December 2015	**Number of rights granted in 2016**	**Number of rights exercised in 2016**	**Number of rights lapsed in 2016**	**Number of rights at December 2016**	Rights time constrained
Executive director									
D A Austin	102 232	85 780	59 708	247 720	**–**	**–**	**247 720**	**–**	–
R G Jacob	182 360	236 998	146 625	565 983	**–**	**182 360**	**–**	**383 623**	383 623
M Z Mkhize	100 051	88 064	61 030	249 145	**–**	**100 051**	**–**	**149 094**	149 094
	384 643	410 842	267 363	1 062 848	**–**	**282 411**	**247 720**	**532 717**	532 717
Prescribed officer									
HT Molale	64 170	65 534	51 811	181 515	**–**	**64 170**	**–**	**117 345**	117 345
	64 170	65 534	51 811	181 515	**–**	**64 170**	**–**	**117 345**	117 345
Grant price	R4,01	R6,90	R8,20						
Grant date	27 May 2013	24 Apr 2014	23 Apr 2015						

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31. 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 granted in 2015	Number of conditional awards at December 2015	**Number of conditional awards granted in 2016**	**Number of conditional awards exercised in 2016**	**Number of conditional awards lapsed in 2016**	**Number of conditional awards at December 2016**	Conditional awards time constrained
Executive director									
D A Austin	179 073	28 583	19 903	227 559	**–**	**144 996**	**82 563**	**–**	–
R G Jacob	60 929	78 999	48 875	188 803	**–**	**60 929**	**–**	**127 874**	127 874
A P Krull	–	–	–	–	**145 370**	**–**	**–**	**145 370**	145 370
M Z Mkhize	33 350	29 355	20 343	83 048	**–**	**33 350**	**–**	**49 698**	49 698
	273 352	136 937	89 121	499 410	**145 370**	**239 275**	**82 563**	**322 942**	322 942
Prescribed officer									
HT Molale	21 390	21 845	17 270	60 505	**–**	**21 390**	**–**	**39 115**	39 115
	21 390	21 845	17 270	60 505	**–**	**21 390**	**–**	**39 115**	39 115
Grant price	R4,60	R6,90	R8,20		R5,75				
Grant date	1 Mar 2013	24 Apr 2014	23 Apr 2015		1 May 2016				
Grant price	R4,01								
Grant date	27 May 2013								

Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2013	Number of conditional awards granted in 2015	Number of conditional awards at December 2015	**Number of conditional awards granted in 2016**	**Number of conditional awards exercised in 2016**	**Number of conditional awards at December 2016**	Conditional awards time constrained
Executive director							
R G Jacob	32 534	17 319	49 853	**–**	**32 534**	**17 319**	17 319
	32 534	17 319	49 853	**–**	**32 534**	**17 319**	17 319
Grant price	R4,55	R6,84					
Grant date	4 Mar 2013	8 May 2015					

31. DIRECTORS' REMUNERATION AND INTEREST CONTINUED

INTEREST OF DIRECTORS AND PRESCRIBED OFFICER OF THE COMPANY IN SHARE CAPITAL

The aggregate holdings as at 31 December 2016 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2016	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
R G Jacob	**521 934**	**–**	**–**	**521 934**
M Z Mkhize	**124 554**	**–**	**–**	**124 554**
	646 488	**–**	**–**	**646 488**
Non-executive				
C A Boles	**60 000**	**–**	**–**	**60 000**
L C Cele	**10 000**	**–**	**–**	**10 000**
P H Staude	**91 610**	**–**	**–**	**91 610**
G H M Watson	**27 763**			**27 763**
	189 373	**–**	**–**	**189 373**
Total	**835 861**	**–**	**–**	**835 861**

There have been no changes in the above interests between the year-end and 23 February 2017.

* *As at 31 December 2016, Mr D A Austin, who resigned on 30 April 2016, held 100 000 ordinary shares. Mr J B Magwaza, who resigned on 30 April 2016, held 5 760 ordinary shares.*

As at 31 December 2015	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
R G Jacob	456 400	–	–	456 400
M Z Mkhize	75 668	–	–	75 668
	532 068	–	–	532 068
Non-executive				
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

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32. SHARE-BASED PAYMENTS

EMPLOYEE SHARE INCENTIVE SCHEMES

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

32.1 Hulamin Limited Share Appreciation Right Scheme 2007

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

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

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of rights at 31 December 2015	**Rights granted in 2016**	**Rights exercised in 2016**	**Rights forfeited/ lapsed in 2016**	**Number of rights at 31 December 2016**	Rights time constrained
R6,91	R1,91	25 May 2011	2 703 404	**–**	**–**	**–**	**2 703 404**	–
R3,60	R0,81	22 Oct 2012	377 128	**–**	**134 689**	**–**	**242 439**	–
R4,56	R1,35	25 Feb 2013	532 997	**–**	**–**	**–**	**532 997**	–
R4,01	R1,24	27 May 2013	3 490 791	**–**	**–**	**3 490 791**	**–**	–
R6,90	R2,73	24 Apr 2014	3 070 647	**–**	**–**	**256 213**	**2 814 434**	2 814 434
R8,20	R3,17	23 Apr 2015	2 351 351	**–**	**–**	**199 817**	**2 151 534**	2 151 534
R6,30	R2,52	22 Apr 2016	–	**7 989 067**	**–**	**113 461**	**7 875 606**	7 875 606
			12 526 318	**7 989 067**	**134 689**	**4 060 282**	**16 320 414**	12 841 574

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

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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	2016 award: R6,30 (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	2016 award: 8,02% (2015 award: 7,67%; 2014 award: 8,17%; 2013 award: 6,44%; 2012 award: 6,38%; 2011 award: 7,98%)
Expected volatility	2016 award: 42,29% (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	2016 award: 0,50% (2015 award: 0,50%; 2014 award: 0,50%; 2013 awards: 4,0% (May); 4,0% (February); 2012 award: 9,85%; 2011 award: 7,56%)
Expected remaining life	2016 award: 76 months (2015 award: 64 months; 2014 award: 52 months; 2013 awards: 41 months; 2012 award: 34 months; 2011 award: 17 months)
Contractual life	84 months
Vesting conditions:	
– Time	Three years
– Non-market	An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee
– Market	None

32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.2 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 Hulamin 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 2015	**Conditional awards exercised in 2016**	**Conditional awards lapsed/ forfeited in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R3,28	27 May 2013	2 273 673	**1 048 255**	**1 225 418**	**–**	–
R6,35	24 Apr 2014	2 759 236	**4 506**	**219 571**	**2 535 159**	2 535 159
R7,60	23 Apr 2015	2 438 928	**1 493**	**154 587**	**2 282 848**	2 282 848
		7 471 837	**1 054 254**	**1 599 576**	**4 818 007**	4 818 007

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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	No 2016 award (2015 award: R8,20; 2014 award: R6,90; 2013 award: R4,01)
Grant price	Nil
Risk-free interest rate	No 2016 award (2015 award: 7,13%; 2014 award: 7,26%; 2013 award: 5,33%)
Expected volatility	No 2016 award (2015 award: 43,22%; 2014 award: 46,74% 2013 award: 46,03%)
Expected dividends	No 2016 award (2015 award: 0,50%; 2014 award: 0,50%; 2013 award: 4,0%)
Expected remaining life	No 2016 award (2015 award: 16 months; 2014 award: 4 months; 2013 awards: Nil))
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Market	Total shareholders' return (TSR)
– Non-market	Return on capital employed (ROCE)

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32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.3 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 2015	**Conditional awards granted in 2016**	**Conditional awards exercised in 2016**	**Conditional awards lapsed/ forfeited in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R4,11	1 Mar 2013	144 996	**–**	**144 996**	**–**	**–**	–
R3,64	27 May 2013	763 029	**–**	**704 380**	**58 649**	**–**	–
R6,82	24 Apr 2014	1 034 823	**–**	**118 159**	**71 612**	**845 052**	845 052
R8,09	23 Apr 2015	812 973	**–**	**1 493**	**50 534**	**760 946**	760 946
R5,67	1 May 2016	–	**145 370**	**–**	**–**	**145 370**	145 370
R5,81	1 Jun 2016	–	**87 867**	**–**	**–**	**87 867**	87 867
		2 755 821	**233 237**	**969 028**	**180 795**	**1 839 235**	1 839 235

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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	2016 awards: R5,75 (May); R5,89 (June) (2015 award: R8,20; 2014 award: R6,90; 2013 awards: R4,01 (May); R4,60 (March))
Grant price	The grant price as noted above
Risk-free interest rate	2016 awards: 7,87% (May); 8,15% (June) (2015 award: 7,13%; 2014 award: 7,26%; 2013 award: 5,33%)
Expected volatility	2016 awards: 40,42% (May); 40,22% (June) (2015 award: 43,22%; 2014 award: 46,74%; 2013 award: 46,03%)
Expected dividends	2016 awards: 0,49% (May); 0,48% (June) (2015 award: 0,50%; 2014 award: 0,50%; 2013 awards: 4,0% (May); 4,0% (March))
Expected remaining life	2016 awards: 29 months (June); 25 months (May) (2015 award: 16 months; 2014 award: 4 months; 2013 award: Nil)
Contractual life	36 months
Vesting conditions:	
– Time	Three years
– Non-market	None
– Market	None

32. SHARE-BASED PAYMENTS CONTINUED

EMPLOYEE SHARE INCENTIVE SCHEMES CONTINUED

32.4 Hulamin Limited Deferred Bonus Plan 2007

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at 31 December 2015	**Conditional awards granted in 2016**	**Conditional awards exercised in 2016**	**Number of conditional awards at 31 December 2016**	Conditional awards time constrained
R4,55	R3,73	4 Mar 2013	54 220	**–**	**54 220**	**–**	–
R6,61	R6,74	14 Mar 2014	14 907	**–**	**–**	**14 907**	14 907
R6,84	R8,79	8 May 2015	17 319	**–**	**–**	**17 319**	17 319
			86 446	**–**	**54 220**	**32 226**	32 226

The volume-weighted average share price during the year for Hulamin shares was R5,45.

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

Share price at grant date	No 2016 award (2015 award: R6,84; 2014 award: R6,84; 2013 award: R4,55)
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	No 2016 award (2015 award: 17 months; 2014 award: 3 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, 13 March 2013, 26 March 2014 and 8 May 2015 in terms of the 2013, 2014 and 2015 awards respectively.

32. SHARE-BASED PAYMENTS CONTINUED

OTHER SHARE INCENTIVE SCHEMES

32.5 BEE Equity Transactions

Strategic Partners

On 22 December 2015, Hulamin concluded agreements with BEE partners 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	48 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	R5,52
Risk free interest rate	8,58%
Expected volatility	43,15%
Expected dividends	0,5%
Expected remaining life	48 months
Contractual life	60 months
Vesting conditions:	
– Time	Five years
– Non-market	None
– Market	Share price

Isizinda Aluminium (Pty) Ltd (Isizinda)

Bingelela Capital (Pty) Ltd (Bingelela)

On 1 July 2015 Isizinda acquired the Bayside casthouse business. At the time Bingelela had a 60% interest and Hulamin had a 40% interest in Isizinda. The interest held by Bingelela is accounted for as a grant of an equity option. The fair value of the option at the grant date was R27 224 000, which was determined on an indirect basis with reference to the intrinsic value of the business.

Isizinda Employee Share Incentive Scheme Trust (the Trust)

On 2 February 2016 the Trust purchased a 2,53% interest in Isizinda, in equal portions from Bingelela and Hulamin. The interest held by the Trust is treated as a grant of an equity option. The fair value of the option at the grant date was R1 143 000, which was determined on an indirect basis with reference to the intrinsic value of the business.

HULAMIN

FINANCIAL STATEMENTS

33. DETAILS OF INVESTMENTS IN SUBSIDIARY COMPANIES AND ASSOCIATES

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

Name	Country of incorporation	% Equity interest 2016	% Equity interest 2015
Subsidiaries			
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	**38,7**	40
Associates			
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

FOR THE YEAR ENDED 31 DECEMBER 2016

34. FINANCIAL RISK MANAGEMENT

34.1 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. The values of aluminium purchases and sales are determined with reference to the US Dollar and it is the group's policy to hedge all currency exposure on aluminium, while the value added portion of export transactions is hedged from invoice date. The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the US Dollar at 31 December, the after tax profit for the year would have been higher or lower by R7 569 000 (2015: lower or higher by R12 059 000) 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 2016 than in 2015, 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 R37 713 000 (2015: R56 376 000). 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 2016, 50% (2015: 49%) 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 R463 000 (2015: R28 314 000) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in aluminium prices is a result of commodity price gains or losses on aluminium futures contracts that were all hedged in 2016 and 2015. For this reason, profit was no more sensitive to movement in commodity prices in 2016 than in 2015. The above change in aluminium prices would have resulted in equity being lower or higher by R19 122 000 (2015: R19 809 000). 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 the group had not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after tax profit (2015: nil) and no effect on equity (2015: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period-end net debt, the interest expense for the year would have been higher or lower by R2 884 000 (2015: R4 876 000).

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.

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.1 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:

	Notes	2016 R'000	2015 R'000
Working capital		**1 300 000**	1 000 000
General banking		**250 000**	250 000
Pension fund		**73 627**	72 019
Current facilities		**1 623 627**	1 322 019
Non-current facilities		**216 000**	270 000
Total borrowing facilities		**1 839 627**	1 592 019
Less:			
Non-current borrowings	12	**(162 000)**	(216 000)
Current borrowings	16	**(490 444)**	(829 401)
Committed undrawn facilities		**1 187 183**	546 618

Non-current facilities comprise a term loan of R216 000 000 (2015: R270 000 000) used to fund the upgrade of the aluminium recycling plant in 2015. The loan facility is repayable quarterly in arrears starting on 31 March 2016 and has a remaining four-year term.

In addition to the term loan, Hulamin borrowing facilities include a general short-term facility of R250 000 000 (2015: R250 000 000), revolving working capital facilities of R1 300 million (2015: R1 000 million) that are committed for a further 12 months, and a pension fund loan facility of R73 627 000 (2015: 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 within the next 12 months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

Notes to the group financial statements
FOR THE YEAR ENDED 31 DECEMBER 2016

34. FINANCIAL RISK MANAGEMENT CONTINUED

34.1 Financial risk factors 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
2015						
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	1 922 160
2016						
Non-current borrowings		**54 000**	**54 000**	**54 000**		**162 000**
Current borrowings	**490 444**					**490 444**
Trade and other payables (excluding employee benefit payables)	**1 007 612**					**1 007 612**
Derivative financial liabilities	**15 168**					**15 168**
	1 513 224	**54 000**	**54 000**	**54 000**		**1 675 224**

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 585 million (2015: R1 699 million) which are payable within a period of three months, including trade payables in the amount of R887 873 000 (2015: R564 097 000). Trade receivables amounting to R1 443 million (2015: R1 071 million) are recoverable within a period of three months.

34.2 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	2016 R'000	2015 R'000
Non-current borrowings	12	**162 000**	216 000
Current borrowings	16	**490 444**	829 401
Total borrowings		**652 444**	1 045 401
Less: Cash and cash equivalents	10	**(75 627)**	(70 158)
Net borrowings		**576 817**	975 243
Total equity		**4 346 688**	3 854 517
Total capital		**4 923 505**	4 829 760
Gearing ratio (net debt over total capital)	(%)	**12**	20

35. POST BALANCE SHEET EVENTS

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