GROUP STATEMENT OF FINANCIAL POSITION

as at 31 December 2017

	Notes	2017 R'000	2016 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	**3 324 593**	3 263 500
Intangible assets	5.2	**64 144**	69 086
Retirement benefit asset	8.2	**127 054**	117 397
Deferred tax asset	9.2	**21 152**	25 463
		3 536 943	3 475 446
Current assets			
Inventories	4.2	**2 150 061**	1 825 221
Trade and other receivables	4.3	**1 241 963**	1 513 096
Derivative financial assets	7	**143 767**	64 445
Cash and cash equivalents	4.1	**111 472**	75 627
Income tax asset		**39 331**	2 603
		3 686 594	3 480 992
Non-current assets held for sale	6.2	**6 529**	–
Total assets		**7 230 066**	6 956 438
EQUITY			
Stated capital and consolidated shares	3.4	**1 817 580**	1 817 580
BEE reserve		**51 776**	51 776
Employee share-based payment reserve		**71 201**	55 852
Hedging reserve		**11 530**	15 506
Retained earnings		**2 696 590**	2 405 974
Total equity		**4 648 677**	4 346 688
LIABILITIES			
Non-current liabilities			
Non-current borrowings	3.1	**108 000**	162 000
Deferred tax liability	9.2	**578 568**	516 533
Retirement benefit obligations	8.2	**266 767**	258 879
		953 335	937 412
Current liabilities			
Trade and other payables	4.4	**1 262 967**	1 141 011
Current borrowings	3.2	**320 699**	490 444
Derivative financial liabilities	7	**43 267**	15 168
Income tax liability		**1 121**	25 715
		1 628 054	1 672 338
Total liabilities		**2 581 389**	2 609 750
Total equity and liabilities		**7 230 066**	6 956 438

GROUP STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
Revenue	2.1	**10 159 698**	10 099 349
Cost of sales	2.3	**(9 115 128)**	(8 957 621)
Gross profit		**1 044 570**	1 141 728
Selling, marketing and distribution expenses	2.3	**(450 277)**	(443 881)
Administrative and other expenses	2.3	**(148 653)**	(144 892)
Other gains and losses	2.4	**92 326**	68 559
Operating profit		**537 966**	621 514
Interest income	9.1	**3 079**	1 309
Interest expense	9.1	**(80 704)**	(88 005)
Profit before tax		**460 341**	534 818
Taxation	9.3	**(128 109)**	(149 885)
Net profit for the year attributable to equity holders of the company		**332 232**	384 933
Earnings per share (cents)			
Basic	2.2	**104**	120
Diluted	2.2	**100**	117

GROUP STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Net profit for the year attributable to equity holders of the company	**332 232**	384 933
Other comprehensive income for the year	**3 635**	93 851
Items that may be reclassified subsequently to profit or loss:	**(3 976)**	107 628
Cash flow hedges transferred to income statement	**(21 536)**	127 947
Cash flow hedges created	**16 014**	21 536
Income tax effect	**1 546**	(41 855)
Items that will not be reclassified to profit or loss:	**7 611**	(13 777)
Remeasurements of retirement benefit obligation	**8 782**	(14 032)
Remeasurements of retirement benefit asset	**1 753**	(5 103)
Income tax effect	**(2 924)**	5 358
Total comprehensive income for the year attributable to equity holders of the company	**335 867**	478 784

GROUP STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2017

Note R'000	Stated capital and consolidated shares A	Hedging reserve B	Employee share-based payment reserve C	BEE reserve D	Retained earnings E	Total equity
Balance at 31 December 2015	1 817 580	(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)**
Equity settled share-based payment schemes:	–	–	–	–	–	**–**
Value of employee services (note 2.3.1)	–	–	26 998	–	–	**26 998**
Settlement and forfeiture 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 8.1)	–	–	–	552	–	**552**
Balance at 31 December 2016	1 817 580	15 506	55 852	51 776	2 405 974	**4 346 688**
Net profit for the year	–	–	–	–	332 232	**332 232**
Other comprehensive income net of tax:	–	–	–	–	–	**–**
– cash flow hedges	–	(3 976)	–	–	–	**(3 976)**
– retirement benefit assets and obligations	–	–	–	–	7 611	**7 611**
Equity settled share-based payment schemes:	–	–	–	–	–	**–**
Value of employee services (note 2.3.1)	–	–	32 991	–	–	**32 991**
Settlement and forfeiture of employee share incentives	–	–	(17 642)	–	2 489	**(15 153)**
Tax on employee share incentives	–	–	–	–	(3 209)	**(3 209)**
Dividend paid*	–	–	–	–	(48 507)	**(48 507)**
Balance at 31 December 2017	**1 817 580**	**11 530**	**71 201**	**51 776**	**2 696 590**	**4 648 677**

NOTES

A: Stated capital and consolidation shares

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

B: Hedging reserve

The hedging reserve is used to record gains or losses on derivatives that are considered effective in terms of IFRS. Hedging relationships are further described in note 7. Amounts are reclassified to profit or loss when the associated hedge items affects profit or loss.

C: Employee share-based payments reserve

The share-based payments reserve is used to recognise the grant date fair value of options issued to employees. On settlement the value of the reserve is transferred to retained earnings. Further details of share options outstanding are provided in note 8.1.

D: BEE Reserve

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

E: Retained earnings

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

** Dividends paid include dividends paid by Hulamin Limited to external shareholders and dividends paid and declared by the 2015 Hulamin Employee Share Ownership Scheme.*

GROUP CASH FLOW STATEMENT

for the year ended 31 December 2017

	Notes	2017 R'000	2016 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**783 948**	908 792
Interest paid		**(102 192)**	(103 101)
Interest received		**3 079**	1 309
Income tax paid		**(127 669)**	(127 972)
Net cash inflow from operating activities		**557 166**	679 028
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment		**(256 427)**	(314 856)
Additions to intangible assets		**(4 607)**	(13 551)
Proceeds on disposal of property, plant and equipment		**–**	7 681
Government grant received		**–**	57 047
Net cash outflow from investing activities		**(261 034)**	(263 679)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings		**(54 000)**	(54 000)
Net proceeds from/(repayment of) current borrowings*		**(169 745)**	(338 957)
Settlement of employee share incentives schemes		**(15 153)**	(12 436)
Dividends paid		**(48 507)**	–
Net cash outflow from financing activities		**(287 405)**	(405 393)
Net increase in cash and cash equivalents		**8 727**	9 956
Cash and cash equivalents at beginning of year		**75 627**	70 158
Effects of exchange rate changes on cash and cash equivalents		**27 118**	(4 487)
Cash and cash equivalents at end of year		**111 472**	75 627
A: CASH GENERATED FROM OPERATIONS			
Profit before tax		**460 341**	534 818
Net interest cost		**77 625**	86 696
Operating profit		**537 966**	621 514
Adjusted for non-cash flow items:			
Depreciation		**200 598**	172 683
Amortisation of intangible assets		**15 776**	13 317
Loss/(Profit) on disposal of property, plant and equipment		**10 188**	(6 093)
Net movement in retirement benefit asset and obligations		**8 798**	36 642
Value of employee services received under share schemes		**32 991**	26 998
Movements in derivatives		**(56 745)**	(126 987)
Foreign exchange (gains)/losses on cash and cash equivalents		**(27 118)**	4 487
Equity settled share based payment: Isizinda		**–**	552
Gain on impairment reversal of investment in associate		**(6 529)**	–
Other non-cash items		**(227)**	–
Cash generated before working capital changes		**715 698**	743 113
Changes in working capital	B	**68 250**	165 679
Cash generated from operations		**783 948**	908 792
B: CHANGES IN WORKING CAPITAL			
Increase in inventories		**(324 840)**	(40 416)
Decrease/(increase) in trade and other receivables		**271 133**	(128 706)
Increase in trade and other payables		**121 957**	334 801
		68 250	165 679

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

INDEX TO THE NOTES TO THE GROUP FINANCIAL STATEMENTS

NOTES TO THE GROUP FINANCIAL STATEMENTS

for the year ended 31 December 2017

1. GENERAL

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 Listings Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2.1 to the financial statements. All of which had no material impact on the group's reported results or financial position for the period.

The group financial statements are prepared using the historical cost basis except for certain items as set out in the accounting policies which follow (see the accounting policies relating to derivative financial instruments, share-based payments and government grants).

The financial statements are prepared on the going concern basis using accrual accounting.

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

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

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

1.2.1 NEW AND REVISED STANDARDS AND INTERPRETATIONS IN ISSUE AND EFFECTIVE WHICH ARE APPLICABLE TO THE GROUP:

Pronouncement	Effective date	Impact
IAS 7, 'Statement of Cash Flows'	1 January 2017	Additional disclosure to evaluate changes in net debt arising from financing activities. See note 3.3 for the disclosure provided.
IAS 12, 'Income taxes'	1 January 2017	Clarification on the requirements for recognising deferred tax assets on unrealised losses. No material impact on the group.
IFRS 12, 'Annual Improvements to IFRS Standards 2014 – 2016 Cycle'	1 January 2017	Clarification on disclosures requirement being applicable to interest in entities classified as held for sale except for summarised financial information. No material impact on the group.

1.2.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE WHICH ARE APPLICABLE TO THE GROUP:

Pronouncement	Effective date	Impact
IFRS 2, 'Share-based payments'	1 January 2018	Clarifies the measurement basis for cash-settled share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. **Assessment**: Management anticipates limited impact from the proposed changes and will perform a full assessment before June 2018 interim results are released.

Pronouncement	Effective date	Impact
IFRS 9, 'Financial Instruments'	1 January 2018	Requirements on the classification and measurement of financial assets and liabilities; it also includes an Expected Credit Losses model that replaces the current incurred loss impairment model and revised hedging requirements. **Assessment:** Management will implement IFRS 9, 'Financial Instruments' as from 1 January 2018. Management has elected to defer the implementation of the hedging component of IFRS 9, 'Finacial Instruments' and will continue to account for hedges utilising IAS 39's hedging guidance until management has finalised its revised hedging strategy and related documentation. Management has, during initial investigation, identified that the implementation of the hedging component of IFRS 9, 'Financial Instruments' will allow greater hedge effectiveness (where previously hedges have been ineffective – refer note 7.1) due to the ability to hedge individual component risk within transactions. IFRS 9, 'Financial Instruments' allows the current expensing of forward points through the income statement as instruments unwind which is consistent with management's current treatment of forward points. Management have also assessed the implications of implementing the Expected Credit Losses impairment model on the group's trade receivables. The group will implement the simplified model, utilising an impairment matrix to determine the provision required at period-ends. Historically the group has had minimal write-offs, provisions and claims through the Credit Guarantee Insurance Company and as such the implementation of the provisions matrix is not expected to have a material impact on the financial results.
IFRS 15, 'Revenue from Contracts with Customers'	1 January 2018	Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the good or service transfers to a customer. **Assessment:** Management have performed an assessment of the revenue streams and noted that for certain shipping terms, two distinct performance obligations exist, i.e. the provision of goods (finished products) and services (transportation). The impact of the adoption of IFRS 15 'Revenue from Contracts with Customers', and the impact of the identification of a separate performance obligation for transportation services on transactions with certain specific shipping terms is not expected to result in a material change to the recognition of revenue. The group continues to act as principal in the settlement of all performance obligations. Additional disclosure which will be provided in future financial years includes the quantitative disclosure of revenue earned from the provision of goods and revenue earned from the provision of services and additional narrative descriptions of management's identification of performance obligations and the settlement thereof.
IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'	1 January 2018	The interpretation provides guidance for when a single foreign currency payment/receipt is made as well as for situations where multiple payment/receipts are made. The guidance aims to reduce diversity in practice. **Assessment**: Management does not anticipate material changes to the reported results emanating from this IFRIC.
IFRS 16, 'Leases'	1 January 2019	IFRS 16, 'Leases' now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for all lease contracts. **Assessment**: During 2018, management will implement a project to identify all leases, quantify the impact of transitioning to IFRS 16, 'Leases' and investigate the feasibility of implementing an IT solution for leases.

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

Recognition of assets and liabilities

Assets and liabilities are recognised when it is probable that future economic benefits associated with them will flow to and from the 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.

Derecognition of assets and liabilities

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

All other assets are derecognised on disposal or when they no longer meet the definition of an "asset" as prescribed by the Framework.

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

1.4 JUDGEMENTS MADE BY MANAGEMENT

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

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-retirement benefit obligations

Actuarial valuations of post-retirement benefit obligations are based on assumptions which include employee turnover, mortality rates, discount rate, expected long-term rate of return on retirement plan assets, health care costs, inflation rates and salary increments. Management experts are used to assist with valuations of post-retirement benefit obligations. Refer to note 8.2.

Share-based payment transactions

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

Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 5.1 and 5.2 of the group financial statements and note 5 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 5.3 of the group financial statements. Forward-looking financial information is baseed on board-approved business plans.

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

The group holds a 38,7% (2016: 38,7%) 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. Hulamin manages and directs the relevant activities of Isizinda through its Slab Supply Agreement with Isizinda and is exposed to variable returns in the form of dividends and output, which are controlled by Hulamin. The investment in Isizinda is accounted for as a subsidiary.

1.5 EVENTS AFTER THE REPORTING PERIOD

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.

1.6 CONTINGENT LIABILITIES

The group has no contingent liabilities as at 31 December 2017 (2016: Rnil).

1.7 FOREIGN CURRENCIES

The functional currency of each entity within the group is determined based on the currency of the primary economic environment in which that entity operates. Transactions in currencies other than the entity's functional currency are recognised at the exchange rate ruling on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of these transactions and from translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the 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 currency and presentation currency respectively is the South African rand.

1.8 ROUNDING OF AMOUNTS

All amounts disclosed in the financial statements and notes have been rounded off to the nearest thousand rand unless otherwise stated.

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE

2.1 REPORTABLE SEGMENT ANALYSIS

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

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

Revenue

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

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. 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. Currently the group does not grant extended terms.

Revenue is measured at the fair value of the consideration received or receivable after eliminating cash and settlement discounts, rebates, Value Added Taxation and other indirect taxes.

The group is organised into two major operating divisions, namely Hulamin Rolled Products and Hulamin Extrusions. The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. 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. Reportable segments are based and managed in South Africa.

	2017			2016		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Revenue from external customers	**9 284 845**	**874 853**	**10 159 698**	9 237 127	862 222	10 099 349
Earnings						
EBITDA*	**712 973**	**41 367**	**754 340**	750 542	56 972	807 514
Depreciation and amortisation	**(190 429)**	**(25 945)**	**(216 374)**	(163 224)	(22 776)	(186 000)
Operating profit	**522 544**	**15 422**	**537 966**	587 318	34 196	621 514
Interest received	**2 876**	**203**	**3 079**	1 309	–	1 309
Interest paid	**(80 699)**	**(5)**	**(80 704)**	(88 005)	–	(88 005)
Profit before tax	**444 721**	**15 620**	**460 341**	500 622	34 196	534 818
Taxation	**(125 920)**	**(2 189)**	**(128 109)**	(139 662)	(10 223)	(149 885)
Net profit for the year	**318 801**	**13 431**	**332 232**	360 960	23 973	384 933
Headline earnings						
Net profit for the year	**318 801**	**13 431**	**332 232**	360 960	23 973	384 933
Loss/(profit) on disposal of property, plant and equipment	**10 158**	**30**	**10 188**	(6 093)	–	(6 093)
Reversal of impairment on associate	**–**	**(6 529)**	**(6 529)**	–	–	–
Tax effect	**(2 844)**	**(8)**	**(2 852)**	897	–	897
	326 115	**6 924**	**333 039**	355 764	23 973	379 737
Total assets	**6 870 355**	**359 711**	**7 230 066**	6 663 575	292 863	6 956 438
Total liabilities	**2 538 395**	**42 994**	**2 581 389**	2 568 152	41 598	2 609 750
Other disclosures						
Additions to property, plant and equipment and intangible assets	**211 767**	**49 267**	**261 034**	299 239	29 168	328 407

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

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

	2017 R'000	2016 R'000
Analysis of revenue by product market		
Automotive and transport	**1 418 318**	1 375 543
Building and construction	**225 403**	189 803
General engineering	**3 827 580**	4 048 832
Packaging	**4 688 397**	4 485 171
	10 159 698	**10 099 349**
Geographical analysis of revenue		
South Africa	**4 757 411**	3 995 036
North America	**2 009 306**	2 423 884
Europe	**2 207 767**	2 221 782
Asia	**411 517**	323 885
Middle East	**357 682**	587 140
Australasia	**173 529**	286 268
South America	**226 784**	254 095
Rest of Africa	**15 702**	7 259
	10 159 698	**10 099 349**

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 878 million (2016: R1 455 million) which arose from sales to the group's largest customer.

2.2 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 measurement bases which the Hulamin Executive Committee 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.

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 2017 Number of shares	December 2016 Number of shares
Basic EPS – weighted average number of shares	**319 596 836**	319 596 836
Share options	**11 471 925**	9 064 508
Diluted EPS – weighted average number of shares	**331 068 761**	328 661 344

	2017 R'000	2016 R'000
Earnings per share (cents)		
Basic	**104**	120
Diluted	**100**	117
Headline earnings per share		
Net profit for the year	**332 232**	384 933
Adjustments	**807**	(5 196)
– Reversal of impairment on associate	**(6 529)**	–
– Loss/(profit) on disposal of property, plant and equipment	**10 188**	(6 093)
– Tax effect	**(2 852)**	897
Headline earnings	**333 039**	379 737
Headline earnings per share (cents)		
Basic	**104**	119
Diluted	**101**	116
Normalised earnings per share		
Headline earnings	**333 039**	379 737
Adjusted for (net of tax):		
Equity-settled share-based payment: Isizinda	**–**	552
Normalised earnings	**333 039**	380 289
Normalised earnings per share (cents)		
Basic	**104**	119
Diluted	**101**	116

NOTES TO THE GROUP FINANCIAL STATEMENTS
CONTINUED

for the year ended 31 December 2017

2.3 EXPENSES BY NATURE

	2017 R'000	2016 R'000
Aluminium and other material costs	**6 509 230**	6 626 767
Utilities and other direct manufacturing costs	**775 016**	774 329
Employment costs (note 2.3.1)	**1 144 905**	1 048 174
Depreciation (note 5.1)	**200 598**	172 683
Amortisation of intangible assets (note 5.2)	**15 776**	13 317
Repairs and maintenance	**282 028**	257 720
Freight and commissions	**360 746**	365 765
Other operating income and expenditure (note 2.3.2)	**425 759**	287 639
	9 714 058	9 546 394
Classified as:		
Cost of sales	**9 115 128**	8 957 621
Selling, marketing and distribution expenses	**450 277**	443 881
Administrative and other expenses	**148 653**	144 892
	9 714 058	9 546 394

2.3.1 EMPLOYEE BENEFIT COSTS

The cost of short-term employee benefits 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.

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

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

	2017 R'000	2016 R'000
Employment costs		
Salaries and wages	**1 031 417**	950 403
Retirement benefits costs:		
Defined contribution schemes (note 8.2)	**58 379**	52 236
Defined benefit scheme (note 8.2)	**(7 934)**	(10 551)
Post retirement medical aid costs (note 8.2)	**23 891**	23 444
Retirement gratuities (note 8.2)	**6 161**	5 644
Share incentive costs	**32 991**	26 998
	1 144 905	1 048 174

2.3.2 OTHER OPERATING INCOME AND EXPENDITURE

Other operating income and expenditure includes:

	2017 R'000	2016 R'000
Write-down of inventories	**10 000**	(8 066)
Operating leases	**19 740**	19 303
Decrease in provision for impairment of debtors	**(393)**	(2 852)
Auditors' remuneration (note 2.3.3)	**5 556**	5 475
Equity-settled share-based payment: Isizinda	**–**	552

2.3.3 AUDITORS' REMUNERATION

	2017 R'000	2016 R'000
Audit fees	**4 772**	4 840
Fees for other services	**326**	225
Expenses	**458**	410
	5 556	5 475

2.4 OTHER GAINS AND LOSSES

	2017 R'000	2016 R'000
(Loss)/profit on disposal of property, plant and equipment	**(10 188)**	6 093
Valuation adjustments on non-derivative items (note 7.1)	**(2 175)**	(154 256)
Valuation adjustments on derivative items (note 7.1)	**71 820**	216 722
Insurance income – Claim recoveries	**26 340**	–
Impairment reversal	**6 529**	–
	92 326	68 559

3. DEBT/EQUITY : MEASURES TO ASSESS GROUP LEVERAGE

3.1 NON-CURRENT BORROWINGS

	2017 R'000	2016 R'000
Nedbank loan facility	**162 000**	216 000
Less: Current portion included in current borrowings (note 3.2)	**(54 000)**	(54 000)
	108 000	162 000
Effective interest rate %	**10,44**	10,05

Financial liabilities are initially measured at fair value net of transaction costs.

The Nedbank long-term loan is secured against a mortgage bond of R405 million (2016: R405 million) over land and buildings disclosed in note 5.1.

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 million (2016: R54 million) is due within twelve months from reporting date, it has been reclassified to current borrowings (note 3.2).

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3.2 CURRENT BORROWINGS

		2017 R'000	2016 R'000
Nedbank revolving facilities		**193 963**	362 817
Current portion of term loan (note 3.1)		**54 000**	54 000
Pension fund loan (note 9.6)		**72 736**	73 627
		320 699	490 444
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**9,59**	9,19
Pension fund loan	(%)	**9,72**	7,89

The Nedbank revolving facilities comprise a gross borrowings of R571.5 million (2016: R666.4 million) which has been offset by bank balances of R377.5 million (2016: R303.6 million) 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.

The terms of the Nedbank revolving facilities require lender pre-approval for the following specified events:

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

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

	2017	2016
Current Ratio	**>1.25**	>1.25
Debt to Equity Ratio*	**<0.5**	<0.5

**As defined in the contractual agreements.*

The group remains within the required covenant ratios.

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

The pension fund loan is unsecured and has no fixed terms of repayment. The loan can be recalled at any stage and as such has been classified as current.

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

3.3 NET DEBT RECONCILIATION

This section sets out an analysis of net debt and movements in net debt for the year ended 31 December 2017.

	2017 R'000
Net debt comprises:	
Cash and cash equivalents	**111 472**
Non-current borrowings	**(108 000)**
Current borrowings	**(320 699)**
Net debt (note 7.4)	**(317 227)**
Cash and cash equivalents	**111 472**
Gross debt – variable interest rates	**(428 699)**
Net debt	**(317 227)**

	Assets	Liabilities from financing activities		
	Cash	Borrowings – due within one year	Borrowings – due after one year	Total
Opening balance as at 31 December 2016	75 627	(490 444)	(162 000)	(576 817)
Cash flows	8 727	223 745	–	232 472
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	27 118	–	–	27 118
Net debt as at 31 December 2017	**111 472**	**(320 699)**	**(108 000)**	**(317 227)**

3.4 STATED CAPITAL AND CONSOLIDATION SHARES

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

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

Authorised

800 000 000 ordinary shares of no par value (2016: 800 000 000 ordinary shares)
31 477 333 A ordinary shares of no par value (2016: 31 477 333 A ordinary shares)
36 072 000 B ordinary shares of no par value (2016: 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.

	2017 R'000	2016 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (fully paid up) (2016: 319 596 836 shares (fully paid up))	**1 817 580**	1 817 580
Issued during year: nil (2016: nil)	**–**	–
Closing balance: 319 596 836 shares of no par value (fully paid up) (2016: 319 596 836 shares (fully paid up))	**1 817 580**	1 817 580
A ordinary shares		
Opening balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up) (2016: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 656**	**59 656**

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for the year ended 31 December 2017

	2017 R'000	2016 R'000
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares of no par value (fully paid up) (2016: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))	**361**	**361**
Total issued stated capital	**1 877 597**	1 877 597
Consolidated A and B ordinary shares	**(60 017)**	(60 017)
Stated capital	**1 817 580**	1 817 580

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.

Unissued

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

Under the control of the directors:
At 31 December 2017, 6 801 529 unissued ordinary shares (2016: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

3.5 DIVIDENDS PER SHARE

Dividends to equity holders are only recognised as a liability when approved by the board of directors and are included in the statement of changes in equity.

	2017 R'000	2016 R'000
Dividends per share declared		
Final dividend: 15 cents (2016: 15 cents on 319 596 836 ordinary shares)	**47 940**	47 940
Final dividend: 15 cents (2016: 15 cents on 4 721 600 A1 ordinary shares)	**708**	708
Total	**48 648**	48 648

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

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY

4.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are measured at fair value and includes cash on hand and deposits held with banks with original maturities of three months or less.

		2017 R'000	2016 R'000
Bank balances		**111 263**	75 307
Cash on hand		**209**	320
		111 472	**75 627**
Interest rate on credit balances	(%)	**5,00**	4,85
Included in bank balances are the following foreign currency denominated accounts:			
Euro		**703**	738
Pound Sterling		**–**	77
Swiss Franc		**–**	11
US Dollar		**26 909**	2 715

Bank balances with a carrying value of R99.9 million (2016: R69.4 million) have been pledged as security for borrowing facilities (note 3.2). For further information on the credit quality of cash refer to the Financial Risk Management section (note 7).

4.2 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. 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 cost is determined on the following basis:

Consumable stores: Weighted average.

Raw materials, WIP and Finished goods: First In – First Out.

	2017 R'000	2016 R'000
The inventory balance consists of:		
Raw materials	**557 382**	494 487
Work-in-progress	**545 828**	424 808
Finished goods	**770 890**	660 134
Consumable stores	**275 961**	245 792
	2 150 061	1 825 221

Inventories with a carrying value of R1 965 million (2016: R1 662 million) are encumbered as security for borrowing facilities (note 3.2).

Certain items of inventory were written down (note 2.3.2) to net realisable value.

4.3 TRADE AND OTHER RECEIVABLES

Financial assets are initially measured at fair value plus transaction costs. Except for financial assets designated as fair value through profit or loss, in which case, these are expensed.

Loans and receivables, which include trade receivables, are subsequently 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.

	2017 R'000	2016 R'000
Financial assets	**1 084 335**	1 375 213
Trade receivables	**1 059 806**	1 333 692
Less: Provision for impairment	**(1 507)**	(1 900)
Net Trade receivables	**1 058 299**	1 331 792
Sundry receivables	**26 036**	43 421
Non-financial assets	**157 628**	137 883
Prepayments	**34 366**	29 963
Value-added taxation receivable	**123 262**	107 920
	1 241 963	1 513 096

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

	2017 R'000	2016 R'000
Receivables that are neither overdue nor impaired	**1 004 788**	1 318 471
Receivables overdue but not impaired	**79 547**	56 742
Overdue by less than 60 days	**58 367**	48 022
Overdue by more than 60 days	**21 180**	8 720
Total financial assets, net of provision for impairment	**1 084 335**	1 375 213

Two debtors comprise 23% (2016: one debtor comprised 17%) of trade receivables. There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December 2017, 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:

		2017 R'000	2016 R'000
Local trade receivables		**347 696**	308 417
– Balance subject to credit insurance	(%)	**96**	97
Export trade receivables		**633 986**	957 094
– Balance subject to credit insurance	(%)	**100**	100
		981 682	1 265 511

Trade receivables covered by credit insurance are subject to a 10% excess on local debtors and 20% excess on export debtors.

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:

	2017 R'000	2016 R'000
At 1 January	**1 900**	4 752
Receivables written off during the year as uncollectible	**(501)**	(2 637)
Net creation/(reduction) during the year	**108**	(215)
At 31 December	**1 507**	1 900

Trade and other receivables with a carrying value of R802.0 million (2016: R1 095.0 million) have been ceded as security for borrowing facilities (note 3.2).

The group is exposed to exchange rate fluctuations on the following uncovered export trade debtors at year-end:

	2017 Foreign amount '000	2017 Rand amount R'000	2016 Rand amount R'000
Euro	**1 113**	**16 545**	13 011
US Dollar	**15 767**	**188 416**	115 184
		204 961	128 195

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

4.4 TRADE AND OTHER PAYABLES

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.

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.

	2017 R'000	2016 R'000
Trade payables	**926 530**	887 873
Bonus accrual	**59 520**	80 641
Leave pay	**69 523**	52 758
Current leave obligations expected to be settled after 12 months*	**20 017**	13 190
Current leave obligations expected to be settled within 12 months*	**49 506**	39 568
Sundry accruals and other payables	**207 394**	119 739
	1 262 967	1 141 011

*The entire amount of the leave pay accrual is presented as current, since the group does not have an unconditional right to defer settlement. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12-months.

Due to the short-term nature of the current payables, their carrying amount is considered to be the same as their fair value.

5. LONG TERM ASSETS: UTILISATION OF FIXED AND INTANGIBLE ASSETS

5.1 PROPERTY, PLANT AND EQUIPMENT

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

Items of property, plant and equipment are depreciated over their estimated useful lives to estimated residual values on the straight-line basis, as follows:

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

Depreciation commences when the assets are ready for their intended use. Where significant parts of an item have different useful lives to the item itself, these parts are depreciated over their estimated useful lives. The methods of depreciation, useful lives and residual values are reviewed annually.

Borrowing costs

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

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

The weighted average interest rate used for borrowing costs capitalised is 10,19% (2016: 9,39%).

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for the year ended 31 December 2017

	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
2017					
At cost					
Balance at beginning of year	**7 668 217**	**1 057 266**	**6 026 979**	**151 311**	**432 661**
Additions	**256 427**	**4 239**	**56 773**	**6 729**	**188 686**
Borrowing costs capitalised	**21 488**	**–**	**–**	**–**	**21 488**
Capitalised from capital works under construction	**–**	**42 295**	**415 737**	**53 646**	**(511 678)**
Transfers	**(11 407)**	**–**	**–**	**(11 407)**	**–**
Disposals	**(93 503)**	**(200)**	**(90 999)**	**(1 317)**	**(987)**
Balance at end of year	**7 841 222**	**1 103 600**	**6 408 490**	**198 962**	**130 170**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**4 404 717**	**536 097**	**3 768 296**	**100 324**	**–**
Charge for the year (note 2.3)	**200 598**	**17 613**	**172 531**	**10 454**	**–**
Transfers	**(5 371)**	**–**	**–**	**(5 371)**	**–**
Disposals	**(83 315)**	**(200)**	**(81 798)**	**(1 317)**	**–**
Balance at end of year	**4 516 629**	**553 510**	**3 859 029**	**104 090**	**–**
Carrying value at 31 December 2017	**3 324 593**	**550 090**	**2 549 461**	**94 872**	**130 170**
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 9.4)	(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 2.3)	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

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

Moveable items with a carrying value of R87,1 million (2016: R41,7 million) and land and buildings with a carrying value of R198,1 million (2016: R203,1 million) are encumbered as security for borrowing facilities (notes 3.2).

The total depreciation charge is included in cost of sales, R181,2 million (2016: R294,3 million), and inventory, R19,4 million (2016: R20,6 million).

5.2 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 into use the specific software. These costs are amortised over their estimated useful lives, as follows:

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

Maintenance costs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when 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.

	2017 R'000	2016 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**86 922**	100 213
Disposals	**–**	(2 548)
Transfers	**(6 960)**	(10 743)
Balance at end of year	**79 962**	86 922
Accumulated amortisation		
Balance at beginning of year	**54 948**	64 126
Charge for the year (note 2.3)	**4 632**	5 395
Disposals	**–**	(2 548)
Transfers	**–**	(12 025)
Balance at end of year	**59 580**	54 948
Carrying value at end of year	**20 382**	31 974
Software costs – purchased		
Balance at beginning of year	**77 401**	58 954
Additions	**4 607**	13 551
Borrowing costs capitalised	**218**	1 934
Disposals	**–**	(7 781)
Transfers	**18 340**	10 743
Balance at end of year	**100 566**	77 401
Accumulated amortisation		
Balance at beginning of year	**40 289**	28 124
Charge for the year (note 2.3)	**11 144**	7 922
Disposals	**–**	(7 781)
Transfers	**5 371**	12 024
Balance at end of year	**56 804**	40 289
Carrying value at end of year	**43 762**	37 112
Total software costs		
Cost	**180 528**	164 323
Accumulated amortisation	**(116 384)**	(95 237)
Carrying value at end of year	**64 144**	69 086

Total amortisation is included in cost of sales in the statement of profit or loss.

Capital work in progress included within the total software cost above is Rnil (2016: R19,6 million).

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5.3 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 (CGU).

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

Impairment assessment

The group'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 CGU 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. The carrying value of property, plant and equipment balances relating to the Rolled Products CGU was R3,14 billion at 31 December 2017.

Rolled Products Cash Generating Unit

The recoverable amount of these assets at 31 December 2017 was above the carrying amount and no impairment charge is thus required and no reversal of impairment is 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 226 000 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 2019 and with reference to inflation differentials thereafter, with the ZAR:USD rate rising from an average of R12,96 in 2018 to R14,64 in 2022.

A pre-tax discount rate of 15,0% (post-tax 12,11%) was used in the calculation and this rate is unchanged from the 15,0% (post-tax 12,23%) used in 2016. The discount rate includes a company specific risk premium of 1% which 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 pre-tax discount rate would result in an impairment charge, before tax, of R230 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 386 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 390 million.

Extrusions Cash Generating Unit

The recoverable amount of these assets are above their carrying amount and thus no impairment of the carrying value of the assets of this CGU is required as at 31 December 2017.

5.4 CAPITAL EXPENDITURE COMMITMENTS

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

	2017	2016
Property, plant and equipment	**42 527**	109 734

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

6. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

6.1 DETAILS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

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 exercised control, or up until the point it ceases to exercise control. Inter-company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation. 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 interest as transactions with equity holders of the group. Gains or losses arising from these transactions are recorded in equity.

Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's share of its associates' post-acquisition profits or losses is recognised in the statement of financial position, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate. The total carrying value of associates is evaluated annually for impairment. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36: 'Impairment of Assets' to the extent that the recoverable amount of the investment subsequently increases.

Almin Metal Industries Limited ('Almin'), an associate company, was fully impaired in prior years.

In the current financial year, the previously recognised impairment of R6,5 million was reversed after taking into account the offer to purchase the investment. Refer to note 6.2.

Name	Country of incorporation	% Equity interest 2017	% Equity interest 2016	Principal activities
Subsidiaries				
Hulamin Rolled Products (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Systems (Pty) Ltd*	South Africa	**100**	100	Dormant
Hulamin Operations (Pty) Ltd	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions (Pty) Ltd*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Isizinda Aluminium (Pty) Ltd*#	South Africa	**38,7**	38,7	Creation of sustainable value-added aluminium
Associates				
Almin Metal Industries Limited**	Zimbabwe	**49**	49	Manufacture of aluminium profiles

* *Subsidiaries of Hulamin Operations Proprietary Limited.*

\# *Beneficial interest of 100%.*

** *Investment held by Hulamin Extrusions Proprietary Limited.*

All the investments are unlisted.

Special purpose entities

The following special purpose entities have been consolidate:
The 2015 Hulamin Share Ownership Trust
The ESOP Trust
Imbewu SPV 14 Proprietary Limited

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6.2 NON CURRENT ASSETS HELD-FOR-SALE

Disposal groups are classified as assets and liabilities held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

During the financial year, the group received an offer from a third party to acquire the 49% interest which it holds in Almin. The sale was approved by the board and is expected to be completed within 12 months from year-end. The asset is presented within total assets of the Extrusions segment in note 2.1.

The investment in shares is classified as held-for-sale during the reporting period was measured at the lower of its carrying amount and fair value less costs to sell at the time of classification. The fair value was determined with reference to the impending sales agreement. The investment in shares is carried at its original carrying amount.

Details of the non-current asset held-for-sale are as follows:

	2017	2016
Investment in associate	**6 529**	–

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK

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.

7.1 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. The details of the hedge accounting requirements is laid out below.

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 R9 060 011 (2016: lower or higher by R7 569 000) 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 2017 than in 2016, 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 R22 333 000 (2016: R37 713 000). 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 2017, 50% (2016: 50%) 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 R653 581 (2016: R463 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 2017 and 2016. For this reason, profit was no more sensitive to movement in commodity prices in 2017 than in 2016. The above change in aluminium prices would have resulted in equity being lower or higher by R23 734 000 (2016: R19 122 000). The change in equity is mainly from losses or gains on translation of US Dollar-denominated cash-flow hedging instruments.

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. 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. If a fair value hedge meets the conditions for hedge accounting, any gain or loss on the hedged item attributable to the hedged risk is included in the carrying amount of the hedged item and recognised in profit or loss.

A cash flow hedge is the hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with an asset or a liability that could affect profit or loss or a highly probable forecast transaction that could affect profit or loss. If a cash flow hedge meets the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in the statement of comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. A hedge of the foreign currency risk of a firm commitment is designated and accounted for as a cash flow hedge.

If an effective hedge of a forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses accumulated in equity are transferred to income in the same period in which the asset or liability affects profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or non-financial liability, the associated gains or losses accumulated in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability.

Hedge accounting is discontinued on a prospective basis when the hedge no longer meets the hedge accounting criteria (including when it becomes ineffective), when the hedge instrument is sold, terminated or exercised, when for cash flow hedges the forecast transaction is no longer expected to occur or when the hedge designation is revoked. Any cumulative gain or loss on the hedging instrument for a forecast transaction is retained in equity until the transaction occurs, unless the transaction is no longer expected to occur, in which case it is transferred to profit or loss for the period.

The hedging reserve accumulates all movement in the fair value of financial instruments designated as hedges of transactions that have yet to be recognised on the balance sheet. When the underlying transaction is recognised, the related accumulated hedging reserve is released to the income statement, and reflected in revenue. The release of the hedge reserve follows the hedged item represented by probable forecast sales transactions.

Recognition and measurement of derivative financial instruments

Financial assets
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.

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

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

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.

Fair value disclosure
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).

This section provides information about the group's financial instruments, including:

- An overview of all financial instruments held by the group
- Specific information about each type of financial instrument

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The group holds the following financial instruments:

	Note	Financial assets at amortised cost	Derivatives used for hedging	Total
2017				
Financial assets				
Trade and other receivables	4.3	**1 241 963**	**–**	**1 241 963**
Derivative financial assets	7	**–**	**143 767**	**143 767**
Cash and cash equivalents	4.1	**111 472**	**–**	**111 472**
		1 353 435	**143 767**	**1 497 202**
Financial liabilities				
Trade and other payables	4.4	**1 262 967**	**–**	**1 262 967**
Borrowings	3.1, 3.2	**428 699**	**–**	**428 699**
Derivative financial instruments	7	**–**	**43 267**	**43 267**
		1 691 666	**43 267**	**1 734 933**

	Note	Financial assets at amortised cost	Derivatives used for hedging	Total
2016				
Financial assets				
Trade and other receivables	4.3	1 513 096	–	1 513 096
Derivative financial assets	7	–	64 445	64 445
Cash and cash equivalents	4.1	75 627	–	75 627
		1 588 723	64 445	1 653 168
Financial liabilities				
Trade and other payables	4.4	1 141 011	–	1 141 011
Borrowings	3.1, 3.2	652 444	–	652 444
Derivative financial instruments	7	–	15 168	15 168
		1 793 455	15 168	1 808 623

The group's exposure to various risks associated with the financial instruments is discussed in this note. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

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

	2017 R'000	2016 R'000
Foreign currency management – firm commitments and probable forecast sales	**58 645**	35 859
Foreign currency management – trade debtors, creditors and import orders	**72 555**	22 229
Commodity price management	**(30 700)**	(8 811)
	100 500	49 277
Grouped as:		
Financial assets	**143 767**	64 445
Financial liabilities	**(43 267)**	(15 168)
	100 500	49 277

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 2017 is R131,2 million (2016: R63,3 million).

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

The fair value of the financial instruments is determined by applying the methods disclosed in this note.

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.

	2017			2016		
	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	**4 816**	**64 174**	**(7 114)**	3 698	52 329	(2 002)
		64 174	**(7 114)**		52 329	(2 002)
Forward sales						
Euro	**(1 141)**	**(18 142)**	**937**	(714)	(10 701)	686
US Dollar	**(46 906)**	**(652 102)**	**64 822**	(76 959)	(1 097 652)	37 175
		(670 244)	**65 759**		(1 108 353)	37 861
Net total		**(606 070)**	**58 645**		(1 056 024)	35 859
Maturing in:						
2017		**–**	**–**		(1 056 024)	35 859
2018		**(606 070)**	**58 645**		–	–
		(606 070)	**58 645**		(1 056 024)	35 859
Cash flow hedges		**(652 102)**	**64 822**		(1 097 652)	37 175
Fair value hedges		**46 032**	**(6 177)**		41 628	(1 316)
		(606 070)	**58 645**		(1 056 024)	35 859
Grouped as:						
Financial assets			**58 669**			36 255
Financial liabilities			**(24)**			(396)
			58 645			35 859

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 the accounting policy note detailed in this note.

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 the accounting policy detailed in this note. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the change in the fair value of the total sales transaction to the change in the fair value of the FECs.

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:

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	2017			2016		
	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	**2 199**	**36 773**	**(3 781)**	2 533	39 137	(2 159)
Pound Sterling	**400**	**7 168**	**(443)**	639	11 209	(455)
US Dollar	**5 018**	**66 867**	**(1 025)**	6 586	93 206	(2 193)
		110 808	**(5 249)**		143 552	(4 807)
Forward sales						
Euro	**(12 848)**	**(204 344)**	**13 421**	(13 702)	(205 246)	6 922
Pound Sterling	**(357)**	**(6 614)**	**602**	(1 118)	(19 741)	859
US Dollar	**(61 423)**	**(829 622)**	**63 781**	(56 537)	(795 286)	19 255
		(1 040 580)	**77 804**		(1 020 273)	27 036
Net total		**(929 772)**	**72 555**		(876 721)	22 229
Maturing in:						
2017		**–**	**–**		–	–
2018		**(929 772)**	**72 555**		(876 721)	22 229
		(929 772)	**72 555**		(876 721)	22 229
Grouped as:						
Financial assets			**72 585**			22 475
Financial liabilities			**(30)**			(246)
			72 555			22 229

Commodity price management

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

	2017			2016		
	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:						
2017	**–**	**–**	**–**	(18 175)	(409 922)	(8 811)
2018	**(20 375)**	**(540 018)**	**(30 700)**	–	–	–
	(20 375)	**(540 018)**	**(30 700)**	(18 175)	(409 922)	(8 811)
Grouped as:						
Financial assets			**12 513**			5 715
Financial liabilities			**(43 213)**			(14 526)
			(30 700)			(8 811)
Cash flow hedges			**(38 786)**			(10 495)
Fair value hedges			**8 086**			1 684
			(30 700)			(8 811)

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 the accounting policy detailed within this note. When assessing the effectiveness of the hedges during hedge effectiveness testing, the group compares the change in the fair value of the total sales transaction to the change in the fair value of the LME futures.

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 the accounting policy detailed within this note.

The impact and classification of the fair value measurement of instruments noted above on profit and loss and other comprehensive income is detailed in the table below:

	2017 R'000	2016 R'000
Valuation adjustments on non-derivative items		
Foreign exchange loss on debtors and creditors balances	**(29 293)**	(149 769)
Foreign currency denominated cash balances	**27 118**	(4 487)
	(2 175)	(154 256)
Valuation adjustments on derivative items		
Foreign exchange contracts: debtors and creditors balances	**50 259**	107 469
Foreign exchange contracts: firm commitments	**(4 889)**	(10 834)
Commodity futures: fair value hedges	**(48 672)**	43 078
	(3 302)	139 713
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	**75 122**	77 009
Ineffective portion of all hedges recognised in profit or loss:		
Fair value hedges	**(1 259)**	3 029
Cash flow hedges	**–**	(10 085)
	(1 259)	(7 056)
The following amounts are included in revenue:		
Cash flow hedge losses transferred from equity	**(157 473)**	(4 932)

7.2 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 (2016: nil) and no effect on equity (2016: 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 R2,8 million (2016: R2,9 million).

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

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7.3 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 AA credit rating, per Standard and Poor's. Foreign currency counterparty rating of all banks transacted with, as rated by Standard and Poor's, is BB which equals South Africa's rating.

The group's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to any significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed in note 4.3 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 4.3.

Quantitative data on credit risk is disclosed in the notes to the annual financial statements on derivative financial instruments (under the hedging section of this note) and trade and other receivables (note 4.3).

7.4 LIQUIDITY RISK

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

The group's facility utilisation (including cash reserves) at the period end was:

	Note	2017 R'000	2016 R'000
Working capital		**1 300 000**	1 300 000
General banking		**350 000**	250 000
Pension fund		**72 736**	73 627
Current facilities		**1 722 736**	1 623 627
Non-current facilities		**162 000**	216 000
Total borrowing facilities		**1 884 736**	1 839 627
Utilised by:			
Non-current borrowings	3.1	**(108 000)**	(162 000)
Current borrowings	3.2	**(320 699)**	(490 444)
Cash and cash equivalents	4.1	**111 472**	75 627
Committed undrawn facilities and cash		**1 567 509**	1 262 810

Non-current facilities comprise a term loan of R162,0 million (2016: R216,0 million) 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 R350,0 million (2016: R250,0 million), revolving working capital facilities of R1 300 million (2016: R1 300 million) that are committed for a further twelve months, and a pension fund loan facility of R72,7 million (2016: R73,6 million).

As R54,0 million of the term loan is due within twelve months, this has been classified as current and the remainder is classified as non-current. Financial liabilities with maturity dates within the next twelve months comprise current borrowings, trade and other payables, sundry accruals and derivative liabilities.

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

	Less than one year 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
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
2017						
Non-current borrowings*	**–**	**63 161**	**57 524**	**–**	**–**	**120 685**
Current borrowings*	**361 169**	**–**	**–**	**–**	**–**	**361 169**
Trade and other payables (excluding employee benefit payables)	**1 098 736**	**–**	**–**	**–**	**–**	**1 098 736**
Derivative financial liabilities	**43 267**	**–**	**–**	**–**	**–**	**43 267**
	1 503 172	**63 161**	**57 524**	**–**	**–**	**1 623 857**

* *Borrowing facilities incur interest at variable rates. As fixed contractual terms are not know in future periods, management has estimated interest charges using a best estimate of the forecast rate and applied this to the average balance for the year.*

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 349 million (2016: R1 585 million) which are payable within a period of three months, including trade payables in the amount of R927 million (2016: R888 million). Trade receivables amounting to R1 058 million (2016: R1 443 million) are recoverable within a period of three months.

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	2017 R'000	2016 R'000
Non-current borrowings	3.1	**108 000**	162 000
Current borrowings	3.2	**320 699**	490 444
Total borrowings		**428 699**	652 444
Less: Cash and cash equivalents	4.1	**(111 472)**	(75 627)
Net borrowings		**317 227**	576 817
Total equity		**4 648 677**	4 346 688
Total capital		**4 965 904**	4 923 505
Gearing ratio % (net debt over total capital)		**6**	12

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8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE

8.1 SHARE BASED PAYMENTS

The group's employee share incentive schemes are accounted for as equity-settled share-based payments. Equity-settled share-based payments are measured at fair value at the date of grant and recognised in profit or loss on the straight-line basis over the vesting period, based on the estimated number of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is measured using the Monte Carlo Simulation, Black-Scholes and binomial tree valuation models.

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.

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 December 2016	Rights granted in 2017	Rights exercised in 2017	Rights forfeited/ lapsed in 2017	Number of rights at December 2017	Rights time constrained
R6,91	R1,91	25 May 2011	2 703 404	–	210 368	229 198	2 263 838	–
R3,60	R0,81	22 October 2012	242 439	–	125 709	–	116 730	–
R4,56	R1,35	25 February 2013*	532 997	–	–	–	532 997	–
R6,90	R2,73	24 April 2014	2 814 434	–	161 595	71 142	2 581 697	–
R8,20	R3,17	23 April 2015	2 151 534	–	–	133 348	2 018 186	2 018 186
R6,30	R2,52	22 April 2016	7 875 606	–	81 989	284 325	7 509 292	7 509 292
R6,50	R2,59	26 April 2017	–	7 988 444	–	243 336	7 745 108	7 745 108
			16 320 414	7 988 444	579 661	961 349	22 767 848	17 272 586

* *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 R6,31.

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:

	2017	2016	2015	2014	2013	2012	2011
Share price at grant date	R6,50	R6,30	R8,20	R6,90	R4,56	R3,60	R6,91
Risk-free interest rate	7,74%	8,02%	7,67%	8,17%	6,44%	6,38%	7,98%
Expected volatility	42,09%	42,29%	40,81%	42,22%	42,70%	40,33%	38,09%
Expected dividends	0,55%	0,50%	0,50%	0,50%	4,0%	9,85%	7,56%
Expected remaining life (months)	76	64	52	40	29	22	5
Contractual life (months)	84	84	84	84	84	84	84

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

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.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2016	Conditional awards granted in 2017	Conditional awards exercised in 2017	Conditional awards forfeited/ lapsed in 2017	Number of conditional awards at December 2017	Conditional time constrained
Nil	R6,35	24 April 2014	2 535 159	**–**	**1 726 381**	**808 778**	**–**	–
Nil	R7,60	23 April 2015	2 282 848	**–**	**21 989**	**73 927**	**2 186 932**	2 186 932
			4 818 007	**–**	**1 748 370**	**882 705**	**2 186 932**	2 186 932

The volume-weighted average share price during the year for Hulamin shares was R6,31.

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:

	2015	2014
Share price at grant date	R8,20	R6,90
Risk-free interest rate	7,13%	7,26%
Expected volatility	43,22%	46,74%
Expected dividends	0,50%	0,50%
Expected remaining life (months)	4	–
Contractual life (months)	36	36

Vesting conditions:
- Time — Three years
- Market — Total shareholders' return (TSR)
- Non-market — Return on capital employed (ROCE)

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.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2016	Conditional awards granted in 2017	Conditional awards exercised in 2017	Conditional awards forfeited/ lapsed in 2017	Number of conditional awards at December 2017	Conditional time constrained
Nil	R6,82	24 April 2014	845 052	**–**	**844 031**	**1 021**	**–**	–
Nil	R8,09	23 April 2015	760 946	**–**	**14 698**	**17 273**	**728 975**	728 975
Nil	R5,67	1 May 2016	145 370	**–**	**–**	**–**	**145 370**	145 370
Nil	R5,81	1 June 2016	87 867	**–**	**–**	**–**	**87 867**	87 867
Nil	R6,44	15 May 2017	–	**78 577**	**–**	**–**	**78 577**	78 577
			1 839 235	**78 577**	**858 729**	**18 294**	**1 040 789**	1 040 789

The volume-weighted average share price during the year for Hulamin shares was R6,31.

for the year ended 31 December 2017

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

	2017	2016	2015	2014
Share price at grant date	**R6,55**	R5,75 (May) R5,89 (June)	R8,20	R6,90
Risk-free interest rate	**7,12%**	7,87% (May) 8,15% (June)	7,13%	7,26%
Expected volatility	**42,09%**	40,42% (May) 40,22% (June)	43,22%	46,74%
Expected dividends	**0,55%**	0,49% (May) 0,48% (June)	0,50%	0,50%
Expected remaining life (months)	**29**	16 (May) 17 (June)	4	–
Contractual life (months)	**36**	36	36	36

Vesting conditions:
- Time Three years
- Non-market None
- Market None

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 seven years from	Number of conditional awards at December 2016	**Conditional awards granted in 2017**	**Conditional awards exercised in 2017**	**Conditional awards forfeited/ lapsed in 2017**	**Number of conditional awards at December 2017**	Conditional time constrained
R6,61	R6,74	14 March 2014	14 907	–	**14 907**	–	–	–
R6,84	R8,79	8 May 2015	17 319	–	–	–	**17 319**	17 319
			32 226	–	**14 907**	–	**17 319**	17 319

The volume-weighted average share price during the year for Hulamin shares was R6,31.

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

	2015	2014
Share price at grant date	R6,84	R6,61
Expected early exercise	Early exercise is taken into account on an expectation basis.	
Expected dividends	The measurement of fair value did not take into account dividends as no dividend was expected.	
Expected remaining life (months)	5	–
Contractual life (months)	36	36

Vesting conditions:
- Time Three years
- Non-market None
- Market None

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

Other share incentive schemes

BEE Equity Transactions

Strategic partners

On 22 December 2015, Hulamin concluded agreements with BEE partners to facilitate the acquisition of an 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 share-based payments charge is based on the number of B1 and B2 ordinary shares. The fair value of the B1 share-based payments takes into account an effective grant price of 50% of the 30-day volume weighted average price (VWAP) (R5,83) of the group's ordinary shares on grant date, while the fair value of the B2 share-based payments is based on an effective grant price of 100% of the same VWAP.

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	0,50%
Expected remaining life	36 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 shares 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 fair value of the share-based payments takes into account an effective grant price of Rnil for the A1 shares and an effective grant price of the 30-day VWAP of the group's ordinary shares on grant date (R5,83) for the A2 shares, with the grant price reduced by dividends accruing to those shares over the vesting period.

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
Risk-free rate	8,58%
Expected volatility	43,15%
Expected dividends	0,50%
Expected remaining life	36 months
Contractual life	60 months

Vesting conditions:

- Time Five years
- Non-market None
- Market Share price

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Isizinda Aluminium Proprietary Limited (Isizinda)

Bingelela Capital Proprietary Limited (Bingelela)
On 1 July 2015 Isizinda acquired the Bayside casthouse business for a purchase consideration of R100,2 million funded by a loan from Hulamin to Isizinda. 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 R27,2 million, which was determined on an indirect basis with reference to the intrinsic value of the business. This was determined on an indirect basis with reference to the bargain purchase gain (R51,9 million) and the contributed capital of R4 million from the outside shareholder. The time value component was deemed to be nominal.

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 R1,1 million, which was determined on an indirect basis with reference to the intrinsic value of the business.

As at 31 December 2017, Bingelela owned 117 472 shares (58,74%) in Isizinda and the Trust owned 5 056 shares (2,53%). The fair value of these share-based payments take into account an exercise price of nil.

8.2 RETIREMENT BENEFITS

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 cost of providing benefits to the group's defined benefit plan are determined and provided using the projected unit credit actuarial valuation method. Remeasurements, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the 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.

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. Actuarial gains or losses are recognised in the same manner as those of pension obligations.

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 R13.6 million (2016: R12.1 million) 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").

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 2017.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**144 313**	131 552
Present value of funded obligations	**(17 259)**	(14 155)
Pension fund asset at end of year	**127 054**	117 397
Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**14 155**	10 232
Current service cost	**3 145**	2 923
Interest cost	**1 671**	1 411
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 053)**	1 275
Actuarial gains arising from experience adjustments	**(509)**	(1 391)
Benefits paid	**(150)**	(295)
Defined benefit obligation at end of year	**17 259**	14 155
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	**131 552**	152 524
Actual return on plan assets	**12 941**	9 666
Interest income	**12 750**	14 885
Remeasurements:		
Gain/(losses) on plan assets, excluding amounts included in interest income	**191**	(5 219)
Benefits paid	**(180)**	(295)
Contribution funded from employer reserves	**–**	(30 343)
Fair value of plan assets at end of year	**144 313**	131 552
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**59 766**	55 404
Conservative portfolio	**156**	135
Money market and cash	**11 655**	2 386
Other assets:		
Loan to employer company (note 3.2)	**72 736**	73 627
	144 313	131 552
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**60 008**	55 539

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for the year ended 31 December 2017

	2017 R'000	2016 R'000
The amounts recognised in the income statement are as follows:		
Defined benefit plan (retirement benefit equalisation value):	**(7 934)**	(10 551)
Current service cost	**3 145**	2 923
Net interest income	**(11 079)**	(13 474)
Defined contribution plan:	**44 779**	40 112
Employer contribution from reserves (utilisation of employer surplus account)	**–**	30 343
Employer cash contribution	**44 779**	9 769
	36 845	29 561
Amounts recognised in other comprehensive income are as follows :		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 053)**	1 275
Actuarial gains arising from experience adjustments	**(509)**	(1 391)
(Losses)/gain on plan assets, excluding amounts included in interest income	**(191)**	5 219

The average duration of the benefit obligation at 31 December 2017 is 21,6 years (2016: 22,7 years).

		2017 R'000	2016 R'000
Principal actuarial assumptions at the end of the reporting period are as follows:			
Discount rate	(%)	**10,00**	9,70
Future inflation rate	(%)	**6,70**	6,70
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(554)**	(580)
1% increase in discount rate – effect on the obligation		**(3 044)**	(2 611)
1% decrease in discount rate – effect on current service cost		**692**	733
1% decrease in discount rate – effect on the obligation		**3 805**	3 294

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

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.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**223 929**	221 019
Liability in the balance sheet	**223 929**	221 019
The liability can be reconciled as follows:		
Balance at beginning of year	**221 019**	195 606
Total expense accrued	**23 891**	23 444
Remeasurements:		
Actuarial (gain)/losses arising from changes in financial assumptions	**(8 221)**	12 026
Actuarial (gain)/losses arising from experience adjustments	**(1 724)**	1 378
Benefit payments	**(11 036)**	(11 435)
Balance at end of year	**223 929**	221 019
Amounts recognised in the income statement are as follows:		
Interest costs	**21 239**	20 964
Current service costs	**2 652**	2 480
	23 891	23 444
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(8 221)**	12 026
Actuarial (gains)/losses arising from experience adjustments	**(1 724)**	1 378
	(9 945)	13 404

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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Changes in the principal financial assumptions are detailed below:

		2017 R'000	2016 R'000
Principal financial assumptions:			
Discount rate	(%)	**10,00**	9,70
Future company subsidy rate – in service	(%)	**8,15**	8,15
Future company medical subsidy increase – pensioners	(%)	**8,45**	8,45
Sensitivity of future company subsidy rate:			
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs		**3 537**	3 591
1% increase in future company subsidy rate – effect on the obligation		**29 647**	30 583
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs		**(2 936)**	(2 964)
1% decrease in future company subsidy rate – effect on the obligation		**(24 767)**	(25 411)
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(912)**	(969)
1% increase in discount rate – effect on the obligation		**(24 211)**	(24 907)
1% decrease in discount rate – effect on current service cost		**1 006**	1 074
1% decrease in discount rate – effect on the obligation		**29 432**	30 453

The above sensitivity analysis is 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 2017 is 13,1 years (2016: 13,6 years). This number is analysed as follows:

- active members 19,2 years (2016: 19,9 years)
- retired members 9,7 years (2016: 9,9 years)

	2017 R'000	2016 R'000
Estimated benefits payable by the group in the next financial year	**11 827**	11 182

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.

	2017 R'000	2016 R'000
Amounts recognised in the balance sheet are as follows:		
Present value of unfunded obligations	**42 838**	37 860
Liability in the balance sheet	**42 838**	37 860
The liability can be reconciled as follows:		
Balance at beginning of year	**37 860**	32 391
Total expense accrued	**6 161**	5 644
Remeasurements:		
– Actuarial (gains)/losses arising from changes in financial assumptions	**(1 370)**	1 690
– Actuarial losses/(gains) arising from experience adjustments	**2 493**	(1 062)
Gratuity payments	**(2 306)**	(803)
Balance at end of year	**42 838**	37 860

	2017 R'000	2016 R'000
Amounts recognised in the income statement are as follows:		
Interest costs	**3 848**	3 679
Service costs	**2 313**	1 965
	6 161	5 644
Amounts recognised in other comprehensive income are as follows:		
Actuarial (gains)/losses arising from changes in financial assumptions	**(1 370)**	1 690
Actuarial losses/(gains) arising from experience adjustments	**2 493**	(1 062)
	1 123	628

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:

		2017 R'000	2016 R'000
Principal financial assumptions:			
Discount rate	(%)	**10,00**	9,70
Future salary inflation rate	(%)	**8,15**	8,15
Sensitivity of future salary inflation rate:			
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs		**904**	799
1% increase in future salary inflation rate – effect on the obligation		**4 870**	4 357
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		**(778)**	(685)
1% decrease in future salary inflation rate – effect on the obligation		**(4 241)**	(3 791)

The above sensitivity analysis is 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 2017 is 11,5 years (2016: 11,6 years).

Estimated retirement gratuities, payable by the group during the next financial year, are R933 thousand (2016: R1 million)

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8.3 DIRECTORS' REMUNERATION AND INTEREST

8.3.1 DIRECTORS' REMUNERATION

Directors' and prescribed officer's remuneration during the 2017 financial year:

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Bonus and performance related payments Note 1 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Subtotal Rand	Value of options granted Note 2 Rand	Total Rand	Gains on exercise of share options Rand
Non-executive										
ME Mkwanazi	574 876	374 138	–	–	–	–	949 014	–	949 014	–
LC Cele	108 144	45 834	–	–	–	–	153 978	–	153 978	–
VN Khumalo (Note 3)	216 629	167 332	–	–	–	–	383 961	–	383 961	–
TP Leeuw	344 570	218 502	–	–	–	–	563 072	–	563 072	–
AT Nzimande (Note 4)	139 682	84 768	–	–	–	–	224 450	–	224 450	–
NNA Matyumza	332 815	160 074	–	–	–	–	492 889	–	492 889	–
SP Ngwenya	193 604	83 978	–	–	–	–	277 582	–	277 582	–
PH Staude	269 200	116 142	–	–	–	–	385 342	–	385 342	–
GHM Watson	577 697	351 891	–	–	–	–	929 588	–	929 588	–
N Maharaj	210 564	138 076	–	–	–	–	348 640	–	348 640	–
CA Boles	190 234	172 534	–	–	–	–	362 768	–	362 768	–
B Mehlomakulu	152 117	65 920	–	–	–	–	218 037	–	218 037	–
B Larson (Note 5)	233 114	235 818	–	–	–	–	468 932	–	468 932	–
G Zondi (Note 6)		13 500	–	–	–	–	13 500	–	13 500	–
	3 543 246	2 228 507	–	–	–	–	5 771 753	–	5 771 753	–
Executive										
RG Jacob	–	–	4 527 744	1 939 516	119 184	565 143	7 151 587	1 564 373	8 715 960	1 609 507
AP Krull	–	–	3 333 144	1 281 770	129 314	415 818	5 160 046	848 365	6 008 411	–
MZ Mkhize	–	–	3 102 228	943 774	215 380	386 954	4 648 336	789 476	5 437 812	598 066
	–	–	10 963 116	4 165 060	463 878	1 367 915	16 959 969	3 202 214	20 162 183	2 207 573
Prescribed officer										
HT Molale	–	–	2 629 668	782 612	177 408	327 884	3 917 572	668 958	4 586 530	445 059
	–	–	2 629 668	782 612	177 408	327 884	3 917 572	668 958	4 586 530	445 059
	3 543 246	2 228 507	13 592 784	4 947 672	641 286	1 695 799	26 649 294	3 871 172	30 520 466	2 652 632

Note 1 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.

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

Note 3 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.

Note 4 AT Nzimande was appointed to the board with effect from 1 April 2017.

Note 5 B Larson was appointed to the board with effect from 1 April 2017.

Note 6 G Zondi is an Alternative Non-Executive Director who received an attendence fee for one meeting.

8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.1 DIRECTORS REMUNERATION (CONTINUED)

Executive Committee members' remuneration (excluding acting Executive Committee members) during the 2017 financial year (Note 1):

	Cash package	Bonus and performance related payments Note 2	Medical aid contributions	Retirement fund contributions	Subtotal	Value of options granted	Total	Gains on exercise of share options
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Total	12 212 908	**3 412 873**	573 550	1 522 489	17 721 820	3 055 861	20 777 681	**1 887 166**

Note 1 Excluding executive directors and prescribed officer.

Note 2 The bonus payments reflected above are in relation to the 2017 year, paid in 2018.

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

Director	Retainer fees	Attendance fees	Cash package	Bonus and performance related payments Note 1	Medical aid contributions	Retirement fund contributions	Subtotal	Value of options granted Note 2	Total	Gains on exercise of share options
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Non-executive										
ME Mkwanazi	493 694	252 043	–	–	–	–	745 737	–	745 737	–
LC Cele	287 214	116 095	–	–	–	–	403 309	–	403 309	–
VN Khumalo (Note 3)	181 912	97 865	–	–	–	–	279 777	–	279 777	–
TP Leeuw	298 259	149 831	–	–	–	–	448 090	–	448 090	–
JB Magwaza	71 660	34 686	–	–	–	–	106 346	–	106 346	–
NNA Matyumza	287 214	131 391	–	–	–	–	418 605	–	418 605	–
SP Ngwenya	181 912	72 387	–	–	–	–	254 299	–	254 299	–
PH Staude	227 443	91 102	–	–	–	–	318 545	–	318 545	–
GHM Watson	544 166	251 028	–	–	–	–	795 194	–	795 194	–
N Maharaj (Note 4)	49 429	25 420	–	–	–	–	74 849	–	74 849	–
CA Boles (Note 5)	37 071	25 420	–	–	–	–	62 491	–	62 491	–
B Mehlomakulu (Note 6)	24 714	12 710	–	–	–	–	37 424	–	37 424	–
	2 684 688	1 259 978	–	–	–	–	3 944 666	–	3 944 666	–

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8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.1 DIRECTORS REMUNERATION (CONTINUED)

Director	Retainer fees	Attendance fees	Cash package	Bonus and performance related payments Note 1	Medical aid contributions	Retirement fund contributions	Subtotal	Value of options granted Note 2	Total	Gains on exercise of share options
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Executive										
RG Jacob	–	–	4 243 848	3 281 810	111 014	529 656	8 166 328	1 875 989	10 042 317	1 028 152
DA Austin (Note 7)	–	–	1 041 420	–	46 982	129 903	1 218 305	–	1 218 305	784 733
AP Krull (Note 8)	–	–	2 082 840	1 366 237	80 298	259 805	3 789 180	824 248	4 613 428	–
MZ 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**

Note 1 The bonus payments reflected above are in relation to the 2016 year, paid in 2017.
Note 2 The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, 'Share-based Payments'.
Note 3 Directors' fees due to a shareholder nominee on the Hulamin board are paid to the employer organisation and not to the nominee.
Note 4 Mr N Maharaj was appointed to the board with effect from 1 September 2016.
Note 5 Mr CA Boles was appointed to the board with effect from 1 October 2016.
Note 6 Dr B Mehlomakulu was appointed to the board with effect from 1 November 2016.
Note 7 Mr DA Austin resigned from the company with effect from 30 April 2016.
Note 8 Mr AP Krull was appointed to the position of CFO to replace Mr Austin with effect from 1 May 2016.

Executive Committee members' remuneration (excluding acting Executive Committee members) during the 2016 financial year (Note 1):

	Cash package	Bonus and performance related payments Note 2	Medical aid contributions	Retirement fund contributions	Subtotal	Value of options granted	Total	Gains on exercise of share options
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	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

Note 1 Excluding executive directors and prescribed officer.
Note 2 The bonus payments reflected above are in relation to the 2016 year, paid in 2017.

8.3.2 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S 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 granted in 2016	Number of rights at December 2016	Number of rights granted in 2017	Number of rights exercised in 2017	Number of rights lapsed in 2017	Number of rights at December 2017	Rights time constrained
Executive director											
RG Jacob	–	–	633 100	396 925	744 440	1 774 465	**604 005**	**–**	**–**	**2 378 470**	1 141 365
AP Krull		–	–	–	–	–	**327 554**	**–**	**–**	**327 554**	–
MZ Mkhize	261 503	241 172	201 780	138 555	313 573	1 156 583	**304 817**	**–**	**–**	**1 461 400**	452 128
	261 503	241 172	834 880	535 480	1 058 013	2 931 048	**1 236 376**	**–**	**–**	**4 167 424**	1 593 493
Prescribed officer											
HT Molale	–	–	150 157	117 625	265 954	533 736	**258 285**	**–**	**–**	**792 021**	383 579
	–	–	150 157	117 625	265 954	533 736	**258 285**	**–**	**–**	**792 021**	383 579
Grant Price	R6,91	R4,01	R6,90	R8,20	R6,30						
Grant Date	25 May 2011	27 May 2013	24 April 2014	23 April 2015	22 April 2016						

Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions

	Number of rights granted in 2014	Number of rights granted in 2015	Number of rights at December 2016	Number of rights granted in 2017	Number of rights exercised in 2017	Number of rights lapsed in 2017	Number of rights at December 2017	Rights time constrained
Executive director								
RG Jacob	236 998	146 625	383 623	**–**	**236 998**	**–**	**146 625**	146 625
MZ Mkhize	88 064	61 030	149 094	**–**	**88 064**	**–**	**61 030**	61 030
	325 062	207 655	532 717	**–**	**325 062**	**–**	**207 655**	207 655
Prescribed officer								
HT Molale	65 534	51 811	117 345	**–**	**65 534**	**–**	**51 811**	51 811
	65 534	51 811	117 345	**–**	**65 534**	**–**	**51 811**	51 811
Grant price	R6,90	R8,20						
Grant Date	24 April 2014	23 April 2015						

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8.3 DIRECTORS' REMUNERATION AND INTEREST (CONTINUED)

8.3.2 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE-BASED INSTRUMENTS (CONTINUED)

Hulamin Limited Long Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2014	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of conditional awards at December 2016	**Number of conditional awards granted in 2017**	**Number of conditional awards exercised in 2017**	**Number of conditional awards lapsed in 2017**	**Number of conditional awards at December 2017**	Conditional awards time constrained
Executive director									
RG Jacob	78 999	48 875	–	127 874	–	**78 999**	–	**48 875**	48 875
AP Krull	–	–	145 370	145 370	–	–	–	**145 370**	–
MZ Mkhize	29 355	20 343	–	49 698	–	**29 355**	–	**20 343**	–
	108 354	69 218	145 370	322 942	–	**108 354**	–	**214 588**	48 875
Prescribed Officer									
HT Molale	21 845	17 270	–	39 115	–	**21 845**	–	**17 270**	17 270
	21 845	17 270	–	39 115	–	**21 845**	–	**17 270**	17 270
Grant price	R6,90	R8,20	R5,75						
Grant Date	24 April 2014	23 April 2015	1 May 2016						

Hulamin Limited Deferred Bonus Plan 2007

	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of conditional awards at December 2016	**Number of conditional awards granted in 2017**	**Number of conditional awards exercised in 2017**	**Number of conditional awards at December 2017**	Conditional awards time constrained
Executive director							
RG Jacob	17 319	–	17 319	–	–	**17 319**	17 319
	17 319	–	17 319	–	–	**17 319**	17 319
Grant Price	R6,84						
Grant Date	8 May 2015						

8.3.3 INTEREST OF DIRECTORS' AND PRESCRIBED OFFICER'S OF THE COMPANY IN SHARE CAPITAL

The aggregate holdings as at 31 December 2017 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2017	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	**762 518**	**–**	**–**	**762 518**
MZ Mkhize	**124 554**	**–**	**–**	**124 554**
	887 072	**–**	**–**	**887 072**
Non-executive				
CA Boles	**60 000**	**–**	**–**	**60 000**
PH Staude	**91 610**	**–**	**–**	**91 610**
GHM Watson	**27 763**	**–**	**–**	**27 763**
	179 373	**–**	**–**	**179 373**
Total	**1 066 445**	**–**	**–**	**1 066 445**

As at 31 December 2016	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	521 934	–	–	521 934
MZ Mkhize	124 554	–	–	124 554
	646 488	–	–	646 488
Non-executive				
CA Boles	60 000	–	–	60 000
LC Cele	10 000	–	–	10 000
PH Staude	91 610	–	–	91 610
GHM Watson	27 763	–	–	27 763
	189 373	–	–	189 373
Total	835 861	–	–	835 861

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9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

9.1 NET FINANCE COSTS

	2017 R'000	2016 R'000
Interest expense	**80 704**	88 005
Non-current borrowings interest	**19 737**	25 060
Current borrowings interest	**82 455**	78 041
Interest capitalised	**(21 488)**	(15 096)
Interest income	**(3 079)**	(1 309)
Net finance costs	**77 625**	86 696

9.2 DEFERRED TAX

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

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

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

	2017 R'000	2016 R'000
DEFERRED TAX ASSET		
At beginning of year	**25 463**	20 260
Tax credited/(charged) directly to equity	**199**	(707)
Income statement:		
Current year (charge)/credit	**(924)**	3 613
Prior year (charge)/credit	**(2 862)**	728
Deferred tax (charge)/credit in other comprehensive income	**(724)**	1 569
At end of year	**21 152**	25 463
Comprising:		
Fixed assets	**(9 973)**	(7 182)
Retirement benefit obligations and other provisions	**30 840**	31 537
Other	**285**	1 108
	21 152	25 463
Deferred tax asset to be recovered after more than 12 months	**16 981**	17 963
Deferred tax asset to be recovered within 12 months	**4 171**	7 500
	21 152	25 463

	2017 R'000	2016 R'000
DEFERRED TAX LIABILITY		
At beginning of year	**516 533**	486 765
Tax charged directly to equity	**3 408**	39 060
Income statement		
Current year charge/(credit)	**46 956**	(8 858)
Prior year charge/(credit)	**11 017**	(434)
Deferred tax charged in other comprehensive income	**654**	–
At end of year	**578 568**	516 533
Comprising:		
Accelerated tax depreciation	**640 158**	579 973
Provisions and leave pay accruals	**(89 984)**	(102 338)
Defined benefit fund	**35 575**	34 491
Share schemes	**(11 952)**	(4 770)
Hedging reserve	**4 484**	6 030
Other	**287**	3 689
Assessed loss	**–**	(542)
	578 568	516 533
Deferred tax liability to be settled after more than 12 months	**570 720**	529 337
Deferred tax liability to be settled within 12 months	**7 848**	(12 804)
	578 568	516 533

9.3 TAXATION

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

		2017 R'000	2016 R'000
South African normal taxation:			
Current			
Current year charge		**84 221**	161 485
Prior year (over)/under provision		**(17 874)**	2 033
Deferred			
Current year charge/(credit)		**47 881**	(12 471)
Prior year under/(over) provision		**13 881**	(1 162)
		128 109	149 885
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 on disposal of property, plant and equipment	(%)	**–**	(0,2)
Prior year (over)/under provision	(%)	**(0,9)**	0,2
Change in capital gains tax inclusion rate	(%)	**0,2**	–
Expenses not deductible for tax purposes	(%)	**0,9**	–
Income not taxable for tax purposes	(%)	**(0,4)**	–
Effective rate of taxation		**27,8**	28,0

NOTES TO THE GROUP FINANCIAL STATEMENTS
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9.4 GOVERNMENT GRANTS

Grants from the government are recognised as a receivable at their fair value and are deducted against the carrying amount of the assets.

On 18 February 2016, Hulamin received a government grant in respect of the Manufacturing Competitiveness Enhancement Programme (MCEP) to the value of R57 million. The MCEP grant is in relation to plant and machinery built. The cost of the assets have been reduced by the value of R57 million.

9.5 LEASES

Leases are classified as finance leases or operating leases at the inception of the lease. The group has appropriately classified all leases as operating leases.

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.

LEASE COMMITMENTS

	2017 R'000	2016 R'000
Operating lease commitments, amounts due:		
Not later than one year	**19 379**	13 538
Later than one year and not later than five years	**34 194**	17 244
	53 573	30 782
In respect of:		
Property	**5 391**	3 333
Plant and machinery	**48 182**	27 449
	53 573	30 782

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

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

9.6 RELATED PARTY TRANSACTIONS

Balances and transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not disclosed in this note Further details of such transactions and balances can be found in the Company financial statements. Details of transactions between the group and the pension fund are disclosed below:

	2017 R'000	2016 R'000
Loan from pension fund (refer note 3.2)	**72 736**	73 627

Transactions with key management personnel, which comprises directors (executive and non-executive), prescribed officers and members of the executive committee, are detailed in note 8.3.