



Financial statements

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Financial statements

Earnings per share decreased 355% to negative 242 cents after R1,45 billion impairment charge.

Normalised earnings per share has increased on strong operational performance (20% increase on prior year)



Directors' statement of responsibility and approval of the annual financial statements

The directors are required by the Companies Act, 2008 of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements of Hulamini Limited and its subsidiaries and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company and the group as at the end of the financial year and the results of its operations and cash flows for the year then ended in conformity with International Financial Reporting Standards, the Companies Act, No 71 of 2008, as amended, and the JSE Listings Requirements. The external auditors are engaged to express an independent opinion on the annual financial statements.

In preparing the annual financial statements, the company and the group have used appropriate accounting policies, supported by reasonable and prudent judgement and estimates, and prepared the annual financial statements in accordance with International Financial Reporting Standards. The directors are of the opinion that the annual financial statements fairly present the financial position of the company and the group at 31 December 2018, and the results of its operations and cash flows for the year then ended. The directors have considered the group's past results, expected future performance and reasonable changes thereto, and access to its funding, material and other resources, and in light of this review and the group's current financial position, are satisfied that the company and group have access to adequate resources to continue in operational existence for the foreseeable future as a going concern.

The directors are responsible for the systems of internal control. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the annual financial statements, to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss.

Based on the results of a formal documented review of Hulamini's system of internal control and risk management by the internal audit function during the year, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, nothing has come to the attention of the directors which indicates that, in all material aspects, Hulamini's system of internal control and risk management is not effective and that the internal financial controls do not form a sound basis for the preparation of reliable annual financial statements. The opinion of the directors is supported by the group's Audit Committee.

The financial statements have been audited by the independent auditing firm, Ernst & Young Inc., which was given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders, the Board of Directors and committees of the Board. The directors believe that all representations made to the independent auditors during the audit were valid and appropriate. Their unqualified report appears on pages 104 to 107.

The annual financial statements of the group and company set out on pages 108 to 187, which have been prepared on the going-concern basis, were approved by the Board of Directors on 19 March 2019 and were signed on its behalf by:



Thabo Patrick Leeuw
Chairman

Pietermaritzburg, KwaZulu-Natal
19 March 2019



Richard Gordon Jacob
Chief Executive Officer

Certificate by Company Secretary

I certify that, to the best of my knowledge and belief that the requirements as stated in terms of section 88(2) of the Companies Act, No 71 of 2008, as amended, have been met and that all returns, as required of a public company in terms of the aforementioned Act, have been submitted to the Companies and Intellectual Property Commission and that such returns are true, correct and up to date.



Willem Fitchat
Company Secretary

Pietermaritzburg, KwaZulu-Natal
19 March 2019

Report of the audit committee

Introduction

The Hulam Group Audit Committee (“the committee” or “Audit Committee”) presents its report in terms of section 94(7)(f) of the Companies Act, No 71 of 2008, as amended (“Companies Act”), and as recommended by King IV, for the financial year ended 31 December 2018.

The Audit Committee is an independent statutory committee appointed by the shareholders. Further duties are delegated to the committee by the Board of Directors of the company.

Membership and meetings

The committee comprises three independent non-executive directors. All members of the committee have the requisite financial knowledge and commercial skills and experience to contribute effectively to committee deliberations. The members were appointed by shareholders at the 2018 annual general meeting of the company in terms of section 94(2) of the Companies Act. For the year under review, the Audit Committee comprised:

- N Maharajh (Appointed Chairman with effect from 1 May 2018)
- NNA Matyumza
- CA Boles (Appointed with effect from 1 May 2018)
- TP Leeuw (Resigned with effect from 30 April 2018)

Mr TP Leeuw was appointed Chairman of the Board of Directors with effect from 1 May 2018 and consequently resigned as head of the Audit Committee.

The Chief Financial Officer, Head of Internal Audit and representatives from the external and internal auditors attend meetings by invitation. Other members of the Board and management team attend as required. The committee meets separately with the external and internal auditors at least once a year without management present, to ensure that all relevant matters have been identified and discussed without undue influence.

The Audit Committee met three times during the year.

Full details of membership of the committee and attendance at committee meetings during the financial year are also set out in the Corporate Governance report available on the Hulam website at www.hulam.co.za.

Role and responsibilities

The role and responsibilities of the committee include statutory duties per the Companies Act, and further responsibilities assigned to it by the Board. The committee executed its duties in terms of the requirements of King IV. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk and information technology risks as it relates to financial reporting.

The key responsibilities of the committee are as follows:

- Ensuring the integrity of the financial reporting process, including sound systems of internal control and financial risk management;
- Review of integrated annual reports, annual financial statements, interim reports and other financial announcements, including the accounting principles and policies adopted therein and compliance with JSE regulations;

- Monitoring the performance and effectiveness of the independent external auditors and evaluating the qualifications, expertise, resources, fees, scope of work and independence of the external auditors prior to recommending their appointment to the Board and shareholders;
- Approving the internal audit workplan and overseeing the conduct of the internal audit and the implementation of internal control enhancements;
- Approving any non-audit services provided by the external auditors;
- Considering the appropriateness of the expertise, resources and experience of the finance function and of the Chief Financial Officer;
- Approving the appointment of an external assurance provider in respect of the sustainability report;
- Performing statutory duties in terms of the Companies Act, as well as to report to the shareholders in respect of the financial year, including those matters in terms of section 94(7)(f) of the Companies Act;
- Ensuring that the combined assurance model introduced by the King IV Code is applied to provide a coordinated approach to assurance activities;
- Providing oversight of the risk management through monitoring the implementation of the group risk policy and group risk plan as approved by the Board;
- Oversee the governance of technology and information by setting the direction on how technology and information should be approached and addressed, and recommend to the Board the policy that gives effect to the set direction of technology and information; and
- Review and recommend to the Board for authorisation the group's treasury policy, authority limits and funding, investment and treasury risk management strategies.

Performance of duties

The Audit Committee is satisfied that, during the year under review, it complied with its legal, regulatory and other responsibilities, conducted its affairs in compliance with Board-approved terms of reference, and discharged its responsibilities contained therein. The committee is therefore pleased to report that it discharged the following responsibilities for the period under review:

External auditor appointment and independence

The committee has satisfied itself that the external auditor was independent of the company, as set out in section 94(8) of the Companies Act, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the company and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors.

The committee ensured that the appointment of the auditor complied with the Companies Act, and any other legislation relating to the appointment of auditors.

In respect of the 2018 financial year, the committee was satisfied with the quality and effectiveness of the audit process of Ernst & Young Inc. and that Ernst & Young Inc. and the designated audit partner, Mr S Sithebe, were accredited as such on the JSE list of auditors and their advisors. As required by the JSE Listings Requirements, the company received a summary from Ernst & Young of its latest IRBA inspection report, responses thereto and any remedial actions in respect thereof, including all legal and disciplinary procedures concluded within the last seven years as well as the quality control monitoring system applied by Ernst & Young.

The committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and audit fees for the 2018 year as disclosed in note 2.3.3 of the financial statements of the group and note 2.2 of the financial statements of the company.

There is a formal procedure that governs the process whereby the auditor is considered for non-audit services. The committee considers the approval of non-audit services where the approval will add value to the external audit process or the anticipated engagement is considered to be superior to other service providers. The committee approved all engagements for the provision of non-audit services by the external auditor, in terms of the established policy for non-audit services. In terms of the policy the cumulative fee for non-audit services should not exceed 25% of the annual audit fee without the specific approval of the Audit Committee.

Internal audit

The committee is responsible for ensuring that the company's internal audit function is independent and has the necessary resources, standing and authority within the company to enable it to discharge its duties in terms of the established internal audit charter. Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions.

The internal audit function reports centrally and is responsible for reviewing and providing assurance on the adequacy of the internal control environment across the group's operations. The Head of Internal Audit, Ms L Ncoliwe, is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis and has direct access to the committee. The committee is also responsible for the performance assessment of the Head of Internal Audit and the internal audit function.

During the year the committee satisfied itself that the Head of Internal Audit, Ms L Ncoliwe, is competent and possessed the appropriate expertise and experience to act in this capacity, and believes that the group's internal audit function met its objectives and that the adequate procedures were in place to ensure that the group complies with its legal, regulatory and other responsibilities.

Internal financial controls

The committee has overseen a process by which internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls.

Based on the results of the formal documented review of the company's system of internal financial controls by the internal audit

function, the information and explanations given by management and the comment by the independent auditors on the results of their statutory audit, including a review of significant issues raised by the internal audit processes and the adequacy of corrective action in response thereto, nothing has come to the attention of the committee which indicates that, in all material aspects, Hulamin's system of internal financial controls was not operating effectively during the year under review.

This written assessment by internal audit formed the basis for the committee's recommendation in this regard to the Board, in order for the Board to report thereon. The Board's opinion on the effectiveness of the system of internal controls and risk management is included on page 98. The committee supports the opinion of the Board in this regard.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Risk and SHE Committee. The chairman of the Audit Committee attended meetings of the Risk and SHE Committee as a member thereof for the year under review to ensure that information relevant to these respective committees was transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, and fraud and information technology risks as they relate to financial reporting.

An internal audit charter is in place which defines the function, responsibility and authority of the group's internal audit activity. The internal audit function's 2018 annual audit plan was approved by the committee.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the company's operations. The head of the internal audit function, who has direct access to the committee, is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee on a regular basis.

During the year under review, the committee met with the internal and external auditors without management being present.

Evaluation of the expertise and experience of the financial director and finance function

The committee has satisfied itself during the year under review that the Chief Financial Officer has appropriate expertise and experience.

The committee has considered, and has satisfied itself of the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the financial function. It further considered and satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the group's finance function. The annual financial statements were compiled under the supervision of the Chief Financial Officer, Anton Krull, CA(SA).

Financial statements and accounting practices

The committee has reviewed the accounting policies and the financial statements of the company and the group for the year ended 31 December 2018, and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The committee receives and deals with any concern or complaints, whether from within or outside the company, relating to the accounting practices and internal audit of the company, the content or auditing of the company's financial statements, the internal financial controls of the company and related matters. There were no such complaints during the year under review.

The committee has considered the events and conditions which lead to the restatement of the previously reported financial results. The committee has satisfied itself that management has put in place appropriate measures to prevent future misstatements of this nature and has developed an appropriate plan to implement IFRS 9, 'Financial Instruments' which provides greater scope for aligning the accounting treatment of derivative instruments designated as hedging instruments based on the underlying economic hedging strategy applied.

Integrated reporting, sustainability and combined assurance

The committee fulfils an oversight role regarding the company's integrated report and the reporting process.

The committee considered the company's sustainability information as disclosed in the integrated report and separate sustainability report of the group for the year ending 31 December 2018 and has assessed its consistency with operational and other information known to committee members, and for consistency with the annual financial statements. The committee discussed the sustainability information with management and has considered the conclusion of the external assurance provider. The committee is satisfied that the sustainability information is reliable and consistent with the financial results.

The committee recommended to the Board the appointment of KPMG Services (Pty) Ltd to perform an assurance engagement on key performance indicators included in the company's 2018 sustainability reporting. The committee determined the scope of this assurance engagement and satisfied itself as to the independence and competency of the external assurance provider.

The committee ensures the combined assurance model is appropriate to address the significant risks facing the business, and is satisfied that the company has optimised the assurance coverage obtained from management, and internal and external assurance providers for the year under review.

The committee recommended the 2018 integrated report for approval by the Board of Directors.

Technology and information

The committee oversees the governance of technology and information by setting the direction on how technology and information should be approached and addressed.

The committee has reviewed and recommended for approval to the Board for authorisation the strategy that gives effect to its set direction on the employment of technology and information.

Treasury

The committee has reviewed and recommended to the Board for approval the group's treasury strategy, policy and authority limits. The committee has reviewed the risk management activities report as provided by the Treasury Committee and has found the risk management activities to be sufficient to mitigate risk.

Going concern

The committee has reviewed a documented assessment, including key assumptions, prepared by management of the going concern status of the company and the group as at 31 December 2018 and has made a recommendation to the Board in this respect. The Board's statement on the going-concern status of the company and the group, as supported by the committee, is detailed on page 98.

On behalf of the Audit Committee



Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
15 March 2019

Directors' statutory report

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2018.

Nature of business

Hulamin Limited is the holding company of two main operating segments, Hulamin Rolled Products and Hulamin Extrusions. Their activities are dealt with separately in note 2.1 of the group financial statements.

Financial results

The net (loss)/profit attributable to shareholders of the group for the year ended 31 December 2018 amounted to (R773 411 000) (2017 restated: R303 763 000). This translates into headline earnings per share of 91 cents (2017 restated: 95 cents) based on the weighted average number of shares in issue during the year.

The annual financial statements presented on pages 107 to 187 set out fully the financial position, results of operations and cash flows for the year.

Dividends

A final dividend of 18 cents per share was declared for the year ended 31 December 2018 (2017: 15 cents per share).

Share capital

There were no changes in the authorised and issued share capital during the year under review.

Details of the authorised, issued and unissued ordinary shares and the group's share incentive schemes are set out in notes 3.4 and 8.1 of the group financial statements.

Subsidiaries

Details of Hulamin Limited's interest in its subsidiaries are set out in note 6 of the group financial statements.

Directorate

Brief curricula vitae of the directors are listed on the company's website. Details of directors' remuneration are reflected in note 8.3 of the group financial statements.

Mr ME Mkwanazi resigned from the Board of Directors with effect from 30 April 2018.

Mr AT Nzimande resigned from the Board of Directors with effect from 30 June 2018.

Directors' and prescribed officers' shareholdings

At 31 December 2018, the present directors and prescribed officer of the company beneficially held a total of 1 167 359 ordinary no par value shares, equivalent to 0.37%, in the company (2017: 1 066 445 ordinary no par value shares, equivalent to 0.33%, were held by directors). Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officers' shareholdings and interests in the share incentive schemes are set out in note 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officers' shareholdings between 31 December 2018 and 28 February 2019.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2018.

Auditors

As a result of the proposed implementation of an audit firm rotation process and taking into account that PricewaterhouseCoopers Inc. had been the group's external auditor for the last 68 years, the group initiated a process to change the external auditor for the financial year ending 31 December 2018. Ernst & Young Inc. were the auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 25 April 2019, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2019 financial year and it will be noted that Mr S Sithebe will be the individual registered auditor that will undertake the audit.

Secretary

The Company Secretary of Hulamin Limited is Mr W Fitchat. His business and postal address appears in the corporate information section of this integrated annual report.

Post balance sheet events

The directors are not aware of any other matters or circumstances arising between the end of the financial year and the date of these financial statements which materially affect the financial position or results of the company or group.

Approval

The annual financial statements of the group and company set out on pages 108 to 187 have been approved by the board. Signed on behalf of the board of directors by:



Thabo Patrick Leeuw
Chairman

Pietermaritzburg, KwaZulu-Natal
19 March 2019



Richard Gordon Jacob
Chief Executive Officer

Independent auditor's report

to the Shareholders of Hulamini Limited

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of Hulamini Limited (the "Company") and its subsidiaries (the "Group") set out on pages 108 to 187, which comprise the separate and consolidated statements of financial position as at 31 December 2018, and the separate and consolidated statements of profit or loss and other comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Company and Group as at 31 December 2018, and its separate and consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Company and Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in South Africa, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key audit matter

How our audit addressed the key audit matter

Impairment assessment of the rolled products cash generating unit (CGU)

IAS 36 Impairment of Assets require an impairment test of non-financial assets to be performed when there are indicators that these may be impaired.

The Group's market capitalisation was below its net asset value as at 31 December 2018, indicating that the carrying value of the Group's assets may be impaired.

Management performed an impairment test which includes the following key assumptions. These assumptions affect the impairment test and requires the exercise of significant management judgement:

- Determining of cash generating units (CGU).
- Future sales volumes.
- Rolling margins, considering current and anticipated changes in market conditions and product mix.
- Forecasted currency exchange rates.
- The discount rate applied by management was based on the capital asset pricing model which includes inputs that are subjective.

We considered the impairment test of to be a matter of most significance to our audit due to the following:

- Management's assessment involves significant judgement about future results of the business and the discount rate applied to cash flow forecasts;
- Given the magnitude of the related property, plant and equipment and intangible asset balances, the recognition of an impairment charge could have a significant impact on the financial statements; and
- The result of the cash flow forecast is sensitive to small changes in certain assumptions mentioned above.

Management's disclosure on impairment consideration are detailed in Note 5.3 of the Annual Financial Statements.

We considered management's assessment of the existence of an impairment indicator.

We assessed the basis adopted by management in the preparation of the discounted cash flow valuation model against the applicable requirements of *IAS 36 Impairment of Assets*.

We tested the mathematical accuracy of the model.

We have assessed the determination of the cash generating units (CGU)

We assessed various inputs in the cash flow forecasts, interrogated the integrity of supporting calculations and considered the reasonableness of the following key inputs: volume forecasts, currency rates, rolling margins and cost saving initiatives, with reference to the board approved business plan, market data and past performance of the CGU.

Market data that was considered included forecast exchange rates, aluminium prices, geographic premiums and inflation rates.

To assess the adequacy of management's forecasts we considered the level of precision with which management had historically prepared their forecasts by comparing them to actual performance.

With the support of our valuation experts we considered the appropriateness of the discount rate as well as the methodology used by management in forecasting the ZAR/USD exchange rates beyond a two-year period. Our consideration of the discount rate included recalculating the inputs with reference to independent market data. This included risk-free rates, betas and market risk premiums.

We obtained and evaluated management's sensitivity analyses, to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result further in impairment.

We obtained and evaluated management's sensitivity analyses, to ascertain the impact of reasonably possible changes in key assumptions. We performed our own independent sensitivity calculations to quantify the extent of downside changes required to result further in impairment.

We have assessed the adequacy of the accounting for the resulting impairment of the Rolled Products and Extrusions cash generating units as well as the disclosures made in the Annual Financial Statements in accordance with *IAS 36 Impairment of Impairment of Assets*.

Key audit matter	How our audit addressed the key audit matter
Cash flow hedging	
Hulamin Limited is a semi-fabricator of aluminium products and are therefore exposed to the fluctuations in the aluminium price from the date aluminium is purchased as a raw material to the date that is converted into a finished product and sold. Hulamin Limited hedges this risk through aluminium futures. Aluminium is traded in dollars which exposes Hulamin Limited to foreign currency risk. This risk is hedged through Foreign Exchange Contracts. These hedges are accounted for as cash flow hedges and are recognised and measured in terms of <i>IAS 39 Financial Instruments: Recognition and Measurement</i>. We considered the measurement of the hedge reserve and the effectiveness of the hedges to be of most significance to our audit due to the following: • Management's forecasting of the future sale which is the hedge item. • Whether Hulamin Limited's hedging principles are in terms <i>IAS 39 Financial Instruments: Recognition and Measurement</i> which requires formal designation of the hedge instrument and documentation of the effectiveness test. • Whether Hulamin Limited has correctly assessed if the hedge is effective or ineffective in terms of the criteria of <i>IAS 39 Financial Instruments: Recognition and Measurement</i>. Management's disclosure on hedging considerations are detailed in Note 7.1 (2) of the Annual Financial Statements.	We have assessed Hulamin Limited's hedging principles in terms of compliance with <i>IAS 39 Financial Instruments: Recognition and Measurement</i>. We have recalculated the fair value of the open hedging instruments as at 31 December 2018. We have tested the management's ability to forecast future sales through performing a reasonability test between forecasted and actual sales. We have, together with our valuation experts, assessed management's hedge effectiveness calculation in terms of <i>IAS 39 Financial Instruments: Recognition and Measurement</i>. We reviewed the calculation for the ineffective hedges and the recording of these amounts in the financial statements. We inspected the apportionment of the changes in the fair value of the open financial instruments as at 31 December 2018 to the statement of profit or loss and the hedge reserve and independently assessed the compliance of the apportionment in terms of <i>IAS 39 Financial Instruments: Recognition and Measurement</i>. We have assessed the adequacy of disclosures made in the Annual Financial Statements, including the adjustments reflected in the prior period error disclosure to account for the outcome of the hedge effectiveness test.

Other information

The directors are responsible for the other information. The other information comprises the Directors' Statutory Report, the Audit Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual Report, which is expected to be made available to us after that date. Other information does not include the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the separate and consolidated financial statements

The directors are responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of the separate consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the separate and consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and Group audit. We remain solely responsible for our audit opinion.

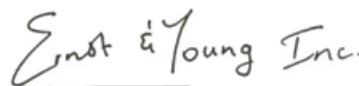
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Ernst & Young Inc. has been the auditor of Hulamin Limited for one year.



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

19 March 2019

1 Pencarrow Crescent,
 La Lucia Ridge Office Estate
 Durban
 4000

Group statement of financial position

as at 31 December 2018

			Restated*	Restated*
	Notes	2018 R'000	2017 R'000	1 January 2017 R'000
ASSETS				
Non-current assets				
Property, plant and equipment	5.1(b)	1 901 794	3 324 593	3 263 500
Intangible assets	5.2(b)	43 136	64 144	69 086
Retirement benefit asset	8.2(c)	133 860	127 054	117 397
Deferred tax asset	9.2(a)	17 060	21 152	25 463
		2 095 850	3 536 943	3 475 446
Current assets				
Inventories	4.2	2 262 547	2 150 061	1 825 221
Trade and other receivables	4.3	1 530 279	1 237 096	1 505 632
Derivative financial assets	7.1(c)	71 281	143 767	64 445
Cash and cash equivalents	4.1	525 981	111 472	75 627
Income tax asset		18 992	39 331	2 603
		4 409 080	3 681 727	3 473 528
Non-current assets classified as held for sale	6.2	6 529	6 529	–
Total assets		6 511 459	7 225 199	6 948 974
EQUITY				
Stated capital and consolidated shares	3.4	1 817 580	1 817 580	1 817 580
BEE reserve		51 776	51 776	51 776
Employee share-based payment reserve		57 914	71 201	55 852
Hedging reserve		(6 280)	39 999	15 506
Retained earnings		1 881 631	2 668 121	2 405 974
Total equity		3 802 621	4 648 677	4 346 688
LIABILITIES				
Non-current liabilities				
Non-current borrowings	3.1	54 000	108 000	162 000
Deferred tax liability	9.2(b)	221 060	578 568	516 533
Retirement benefit obligations	8.2(d)(e)	251 738	266 767	258 879
		526 798	953 335	937 412
Current liabilities				
Trade and other payables	4.4	1 380 209	1 258 100	1 133 547
Current borrowings	3.2	765 783	320 699	490 444
Derivative financial liabilities	7.1(c)	34 011	43 267	15 168
Income tax liability		2 037	1 121	25 715
		2 182 040	1 623 187	1 664 874
Total liabilities		2 708 838	2 576 522	2 602 286
Total equity and liabilities		6 511 459	7 225 199	6 948 974

* See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.

Group statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
Revenue from contracts with customers	2.1(b)	11 533 818	10 303 531
Cost of sales of goods	2.3	(10 583 507)	(9 115 128)
Cost of providing services*	2.3	(82 422)	(56 432)
Gross profit		867 889	1 131 971
Selling, marketing and distribution expenses	2.3	(448 237)	(396 442)
Administrative and other expenses	2.3	(194 806)	(148 152)
Net impairment losses on financial assets**	4.3(c)	(671)	(501)
Impairment of property, plant and equipment and intangible assets	5.3	(1 450 814)	–
Gains and losses on financial instruments related to trading activities	2.4	276 963	(111 131)
Other gains and losses	2.5	(231)	22 681
Operating (loss)/profit		(949 907)	498 426
Interest income	9.1	3 887	3 079
Interest expense	9.1	(77 588)	(80 704)
(Loss)/profit before tax		(1 023 608)	420 801
Taxation	9.3	250 197	(117 038)
Net (loss)/profit for the year attributable to equity holders of the company		(773 411)	303 763
Earnings per share (cents)			
Basic	2.2	(242)	95
Diluted	2.2	(236)	92

* See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.

** New disclosure requirements by International Accounting Standard 1 Presentation of Financial Statements require the separate disclosure on the face of the statement of profit or loss of the impairment losses on financial assets, including reversals of impairment losses.

Group statement of comprehensive income

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
Net (loss)/profit for the year attributable to equity holders of the company		(773 411)	303 763
Other comprehensive (loss)/income for the year		(22 825)	32 104
Items that may be reclassified subsequently to profit or loss:		(46 279)	24 493
Cash flow hedges transferred to the statement of profit or loss	7.1(c)	85 776	23 965
Cash flow hedges (reversed)/created	7.1(c)	(150 053)	10 053
Income tax effect	9.2	17 998	(9 525)
Items that will not be reclassified to profit or loss:		23 454	7 611
Remeasurements of retirement benefit obligation	8.2	33 395	8 782
Remeasurements of retirement benefit asset	8.2	(2 448)	1 753
Income tax effect	9.2	(7 493)	(2 924)
Total comprehensive (loss)/income for the year attributable to equity holders of the company		(796 236)	335 867

* See note 9.7 for the details about the restatement resulting from the correction of prior period errors, and note 9.8 for details about restatements resulting from the adoption of new accounting standards.

Group statement of changes in equity

for the year ended 31 December 2018

	Note	Stated capital and consolidated shares A R'000	Hedging reserve B R'000	Employee share-based payment reserve C R'000	BEE reserve D R'000	Retained earnings E R'000	Total equity R'000
Balance at 1 January 2017		1 817 580	15 506	55 852	51 776	2 405 974	4 346 688
Net profit for the year***		–	–	–	–	303 763	303 763
Other comprehensive income net of tax:							
– cash flow hedges***		–	24 493	–	–	–	24 493
– 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)
Restated balance at 31 December 2017***		1 817 580	39 999	71 201	51 776	2 668 121	4 648 677
Implementation of new accounting standard**	9.7	–	–	–	–	147	147
Balance at 1 January 2018		1 817 580	39 999	71 201	51 776	2 668 268	4 648 824
Net loss for the year		–	–	–	–	(773 411)	(773 411)
Other comprehensive (loss)/income net of tax:							
– cash flow hedges		–	(46 279)	–	–	–	(46 279)
– retirement benefit assets and obligations		–	–	–	–	23 454	23 454
Equity settled share-based payment schemes:							
Value of employee services (note 2.3.1)		–	–	10 008	–	–	10 008
Settlement and forfeiture of employee share incentives		–	–	(23 295)	–	14 065	(9 230)
Tax on employee share incentives		–	–	–	–	(2 243)	(2 243)
Dividend paid*		–	–	–	–	(48 502)	(48 502)
Balance at 31 December 2018		1 817 580	(6 280)	57 914	51 776	1 881 631	3 802 621

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 represents the cash flow hedge reserve. The cash flow hedge reserve is used to recognise the effective portion of gains or losses on derivatives that are designated and qualify as cash flow hedges. Amounts are subsequently transferred to revenue as part of the hedging relationship or reclassified to profit or loss as appropriate. Further analysis of the reserve is presented in note 7.1(c).

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. A deferred tax asset on outstanding grants is recognised where the grants are in-the-money, with the deferred tax on the portion above the fair value of the option being recognised directly in retained earnings. Further details of share options outstanding is 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 is provided in note 8.1.

E: Retained earnings

The retained earnings represents 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 Hulam Limited to external shareholders and dividends paid and declared by the 2015 Hulam Employee Share Ownership Scheme.

** Financial information has been adjusted in accordance with note 9.8 due to the implementation of IFRS 9, "Financial instruments", excluding the hedging component.

*** See note 9.7 for details about restatements resulting from the correction of prior period error.

Group statement of cash flow

for the year ended 31 December 2018

	Notes	2018 R'000	Restated* 2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	485 791	783 947
Interest paid		(84 378)	(102 192)
Interest received		3 887	3 079
Income tax paid		(73 682)	(127 668)
Net cash inflow from operating activities		331 618	557 166
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	(210 538)	(256 427)
Additions to intangible assets	5.2	(31 206)	(4 607)
Net cash outflow from investing activities		(241 744)	(261 034)
Cash flow before financing activities		89 874	296 132
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings	3.2	(54 000)	(54 000)
Net proceeds from/(repayment of) current borrowings**	3.2	445 084	(169 745)
Settlement of employee share incentives schemes	SOCIE	(9 230)	(15 153)
Dividends paid	3.5	(48 502)	(48 507)
Net cash outflow from financing activities		333 352	(287 405)
Net increase in cash and cash equivalents		423 226	8 727
Cash and cash equivalents at beginning of year	4.1	111 472	75 627
Effects of exchange rate changes on cash and cash equivalents	7.1(c)(iv)	(8 717)	27 118
Cash and cash equivalents at end of year	4.1	525 981	111 472
A: CASH GENERATED FROM OPERATIONS			
(Loss)/profit before tax		(1 023 608)	420 801
Net interest cost		73 701	77 625
Operating (loss)/profit		(949 907)	498 426
Adjusted for non-cash flow items:			
Depreciation	5.1	222 271	200 598
Amortisation of intangible assets	5.2	19 003	15 776
Impairment of property, plant and equipment and intangible assets	5.3	1 450 814	–
Loss on disposal of property, plant and equipment	2.5	231	10 188
Net movement in retirement benefit asset and obligations	8.2	9 112	8 798
Value of employee services received under share schemes	2.3.1	10 008	32 991
Fair value changes on derivatives		(1 048)	(17 204)
Foreign exchange losses/(gains) on cash and cash equivalents	7.1(c)(iv)	8 717	(27 118)
Gain on impairment reversal of investment in associate		–	(6 529)
Currency exchange translation on foreign debtors and creditors	7.1(c)(iv)	(95 990)	29 293
Other non-cash items		149	(229)
Cash generated before working capital changes		673 360	744 990
Changes in working capital	B	(187 569)	38 957
Cash generated from operations		485 791	783 947
B: CHANGES IN WORKING CAPITAL			
Increase in inventories		(112 486)	(324 840)
(Increase)/decrease in trade and other receivables		(189 137)	229 980
Increase in trade and other payables		114 054	133 817
		(187 569)	38 957

* See note 9.7 for details about restatements resulting from a prior period error and note 9.8 for details about restatements resulting from adoption of new accounting standards.

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

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Notes to the group financial statements

for the year ended 31 December 2018

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 Listing Requirements of the JSE Limited.

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2(a) to the financial statements and the correction of a prior period error relating to certain commodity derivative instruments not qualifying for hedge accounting, see note 9.7 for further information. The impact of the adoption of IFRS 9, "Financial instruments" and IFRS 15, "Revenue from contracts with customers" is illustrated in note 9.7 of the consolidated financial statements. The adoption of the amendments to IFRS 2, "Share-based payments" did not have an impact on the prior year presented financial results.

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 retirement benefit obligations).

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 offset 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 statement of profit or loss in the period they occur.

1.2 NEW ACCOUNTING STANDARDS

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

Pronouncement	Effective date	Impact
IFRS 9, "Financial Instruments"	1 January 2018	The introduction of IFRS 9, "Financial Instruments" saw changes to classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The group has had no changes in the classification and measurement of its financial instruments, refer note 9.8 for further information, but has increased its loss allowance related to trade receivables under the expected loss model. Additional information on the manner in which the group calculates the loss allowance is provided in note 4.3(c). The group has elected, through an accounting policy choice, to continue to apply the hedging requirements under IAS 39. IFRS 9, "Financial Instruments" was generally adopted without restating comparative information in accordance with the transitional provisions. Further information is provided in note 9.8.
IFRS 7, "Financial Instruments: Disclosure"	1 January 2018	With the introduction of IFRS 9, "Financial Instruments" the disclosure requirements relating to financial instruments and hedging has been updated. The amendments in IFRS 7, "Financial Instruments: Disclosure" includes: – Transition disclosure as illustrated in note 9.8; – Detailed qualitative information about the expected credit loss ("ECL") calculations such as the assumptions used and the inputs are set out in note 4.3(c); and – Additional and more detailed disclosure for hedge accounting as set out in note 7.

Pronouncement	Effective date	Impact
IFRS 15, "Revenue from contracts with customers"	1 January 2018	The new five-step model for the recognition of revenue requires that an entity identifies performance obligations implicit in each sales contract. Revenue is recognised based on the satisfaction of performance obligations, which occurs when control of the good or service transfers to a customer. The group has determined that for certain export sales terms the group has two performance obligations, the sale of goods and the provision of transportation services. The group does not charge a margin on transportation services and therefore no impact on previously reported earnings before interest and tax is noted. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. Further information on the transition is provided in note 9.8 whilst disaggregated revenue disclosure is presented in note 2.1(c) of the financial statements.
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. The application of the revised standard has had no impact on the results of the group.

(b) New and revised IFRS in issue but not yet effective which are applicable to the group

Pronouncement	Effective date	Impact
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 : The group has reviewed existing lease contracts and service arrangements to determine right-of-use assets. On transition the group will apply the modified retrospective approach and will not account for leases and service arrangements which come to an end within 12-months from the effective date in accordance with IFRS 16, 'Leases'. In determining the impact of existing leases and service arrangements, not including those contracts to be renegotiated during 2019, the group expects property, plant and equipment to increase by an estimated 1% and the inclusion of the lease liability to increase non-current borrowings by 10% and current borrowings by an estimated 6%. Earnings before interest, tax, depreciation and amortisation are expected to increase by an estimated 1% as the previously recognised lease expense is replaced by depreciation on the recognised right-of-use asset and interest cost on the lease liability. Depreciation and interest costs are expected to both increase by an estimated 6%. Profit before tax is expected to decrease by an estimated 2%.
Amendments to IFRS 9, Financial instruments on prepayment features with negative compensation	1 January 2019	The amendment allows instruments with symmetric prepayment options to qualify for amortised cost or fair value through other comprehensive income measurement where they fail the "solely a payment of principle and interest" condition. Assessment: The group does not currently hold instruments with such features, nor intends to hold such instruments in the next reporting period, therefore management does not anticipate that the amendments will impact the financial results or disclosures of the group when effective.

Notes to the group financial statements continued

for the year ended 31 December 2018

1. GENERAL CONTINUED

1.2 NEW ACCOUNTING STANDARDS CONTINUED

(b) New and revised IFRS in issue but not yet effective which are applicable to the group continued

Pronouncement	Effective date	Impact
Amendments to IAS 19, "Employee benefits", Plan amendment, curtailment or settlement	1 January 2019	If a plan amendment, curtailment or settlement occurs, it is now mandatory that the current service costs and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. Assessment: The group does not currently, nor in the next reporting period, foresee that it would implement a plan amendment, curtailment or settlement. As such it is not expected that the amendments to this standard will have an immediate impact on the financial results or disclosures reported by the group.
Annual improvements 2015 – 2017 cycle	1 January 2019	The annual improvements cycle for the period 2015 – 2017 makes the following amendments: – IFRS 3, "Business Combinations" and IFRS 11, "Joint Arrangements". The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation it remeasures the previously held interest and the amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation the entity does not remeasure the previously held interest. – IAS 12, "Income Tax". The amendments provide clarity that the requirements of paragraph 52B apply to all income tax consequences of dividends. – IAS 23, "Borrowing Costs". The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity generally borrows when calculating the capitalisation rate on general borrowings. Assessment: From the above amendments the only likely amendment which will have an impact on the group is the amendment relating to IAS 23, "Borrowing costs" which may in future result in higher borrowing costs capitalised
IFRIC 23, "Uncertainty over income tax"	1 January 2019	The IFRIC clarifies the accounting treatment in determining taxable profits, tax bases, unused tax credits and tax rates when there is uncertainty over income tax treatments under IAS 12. Assessment: The new IFRIC is not expected to immediately have an impact on the financial results of the group.

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

(a) 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.

(b) 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 **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

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:

(i) 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. During the current financial year an independent valuator performed an independent assessment of the residual value and useful lives of the group's most critical assets. Further information on the reassessment is provided in note 5.1.

(ii) Post-retirement benefit obligations

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

(iii) Share-based payment transactions

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

(iv) Impairment of non-financial assets

The recoverable amounts of the assets (or cash-generating units to which they belong) disclosed in notes 5.1 and 5.2 of the group financial statements were estimated at period end in terms of IAS 36.

The critical estimates and assumptions used in the recoverable amount calculations in respect of the assets of the group are disclosed in note 5.3 of the group financial statements. Forward-looking financial information is based on board-approved business plans.

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

The group holds a 38.7% (2017: 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 is 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 2018 (2017: 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 statement of profit or loss in the period in which they arise, except when deferred in equity as qualifying cash flow hedges. The company and group's functional currency and presentation currency respectively is the South African rand.

1.8 **ROUNDING OF AMOUNTS**

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

Notes to the group financial statements continued

for the year ended 31 December 2018

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE

2.1 REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Accounting policies and significant judgements

(i) *Description of segments and principal activities*

The group's reportable segments have been determined in accordance with how the Hulamini Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and are predominantly based on business segment hierarchy which is representative of the internal reporting used for management purposes. The group is organised into two major operating divisions, namely Hulamini Rolled Products and Hulamini Extrusions. The Hulamini Rolled Products segment, which comprises the Hulamini Rolled Products and Hulamini Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products. The Hulamini Extrusions segment manufactures and supplies extruded aluminium products.

Isizinda Aluminium (Pty) Ltd ("Isizinda") supplies slab to Hulamini Rolled Products. The activities of Isizinda are integrated into the Hulamini Rolled Products segment. Reportable segments are based and managed in South Africa.

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

Finance costs, finance income, other income, and fair value gains and losses on financial assets are not allocated to individual segments as the underlying instruments are managed on a group basis.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to those segments as they are also managed on a group basis.

Capital expenditure consists of additions of property, plant and equipment and intangible assets.

(ii) *Sale of goods*

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

Sales are recognised when control of the products has transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the guidance provided under International Chamber of Commerce Terms of Trade, where applicable.

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. These rights give rise to a variable consideration. Revenue from these sales are recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts.

If the consideration in a contract or sale of goods includes a variable amount, the group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

The group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The group then applies the requirements on constraining estimates of variable consideration and recognises a refund liability (included in trade and other payables) for the expected future rebates.

No element of financing is deemed present as the sales are not made on extended credit terms.

A receivable is recognised when control passes as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(iii) *Transportation services*

Certain International Chamber of Commerce Terms of Trade used include multiple deliverables such as the sale of goods and the provision of transportation services. For some of these specific terms control of the goods sold passes before the transportation service has been provided. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the customer receives and uses the benefit simultaneously. This is determined based on the actual shipping days incurred relative to the standard time to ship to the specified destination. Where revenue is earned on multiple performance obligations the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

(iv) *Time value of money*

The group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group has applied the practical expedient provided in IFRS 15.63 and does not adjust any of the transaction prices for the time value of money.

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

	2018			Restated* 2017		
	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 contracts with customers: External	10 640 844	892 974	11 533 818	9 428 678	874 853	10 303 531
Timing of revenue recognition:						
– At a point in time	10 558 422	892 974	11 451 396	9 372 246	874 853	10 247 099
– Over time	82 422	–	82 422	56 432	–	56 432
Earnings						
EBITDA**	745 198	(3 017)	742 181	673 433	41 367	714 800
Impairment of property, plant and equipment and intangibles	(1 376 319)	(74 495)	(1 450 814)	–	–	–
Depreciation and amortisation	(215 329)	(25 945)	(241 274)	(190 429)	(25 945)	(216 374)
Operating (loss)/profit	(846 450)	(103 457)	(949 907)	483 004	15 422	498 426
Interest received	3 847	40	3 887	2 876	203	3 079
Interest paid	(77 582)	(6)	(77 588)	(80 699)	(5)	(80 704)
(Loss)/profit before tax	(920 185)	(103 423)	(1 023 608)	405 181	15 620	420 801
Taxation	252 423	(2 226)	250 197	(114 849)	(2 189)	(117 038)
Net (loss)/profit for the year	(667 762)	(105 649)	(773 411)	290 332	13 431	303 763
Headline earnings						
Net (loss)/profit for the year	(667 762)	(105 649)	(773 411)	290 332	13 431	303 763
Loss on disposal of property, plant and equipment	231	–	231	10 158	30	10 188
Reversal of impairment on Almin Metal Industries Limited	–	–	–	–	(6 529)	(6 529)
Impairment of property, plant and equipment and intangibles	1 376 319	74 495	1 450 814	–	–	–
Tax effect	(385 434)	–	(385 434)	(2 844)	(8)	(2 852)
	323 354	(31 154)	292 200	297 646	6 924	304 570
Total assets	6 194 109	317 350	6 511 459	6 865 488	359 711	7 225 199
Total liabilities	2 605 848	102 990	2 708 838	2 533 528	42 994	2 576 522
Other disclosures						
Additions to property, plant and equipment and intangible assets	215 248	26 496	241 744	211 767	49 267	261 034

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

Sales to the largest five customers of the Hulamin Rolled Products segment accounts for 53% of total group revenue.

* Financial information has been adjusted in accordance with note 9.7 resulting from the correction of prior period errors, and restated as presented in note 9.8 due to the implementation of new accounting standards.

** 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 2018

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE CONTINUED

2.1 REPORTABLE SEGMENT ANALYSIS CONTINUED

(c) Disaggregation of revenue from contracts with customers

	2018 R'000	Restated* 2017 R'000
Analysis of revenue by product market		
Automotive and transport	1 400 396	1 438 397
Building and construction	263 180	228 594
General engineering	4 907 080	3 881 768
Packaging	4 963 162	4 754 772
	11 533 818	10 303 531
Geographical analysis of revenue		
South Africa	4 691 267	4 824 763
North America	3 308 552	2 037 752
Europe	2 407 609	2 239 023
Asia	462 290	417 343
Middle East	239 362	362 746
Australasia	77 779	175 986
South America	320 948	229 995
Rest of Africa	26 011	15 923
	11 533 818	10 303 531

* Financial information has been adjusted in accordance with note 9.8 due to the adoption of IFRS 9, "Financial Instruments".

(d) Transportation services

There are contracts with customers which require that the group provides transportation services as a separate performance obligation. The group acts as a principal in these transactions. The performance obligation is satisfied and payment is due upon the final delivery of the goods to the customer.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	2018 R'000	2017 R'000
Within one year	7 273	4 867

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 4/2018 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 Hulam Executive Committee uses in assessing performance and in deciding how to allocate resources. The definition of normalised earnings has been expanded in the current financial year to not only exclude non-recurring items and once-off adjustments, but also gains and losses on metal price lags and to adjust for the impact of a highly effective commodity risk management programme not qualifying for hedge accounting. On adoption of the hedging component of IFRS 9 the latter adjustment will be removed from the definition as the hedging programme is expected to qualify for hedge accounting. 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.

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

	December 2018 Number of shares	December 2017 Number of shares
Basic EPS – weighted average number of shares	319 596 836	319 596 836
Share options	7 807 318	11 471 925
Diluted EPS – weighted average number of shares	327 404 154	331 068 761

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

	2018 Gross R'000	Net R'000	2017 Restated* Gross R'000	Net R'000
Net profit for the year		(773 411)		303 763
Adjustments	1 451 045	1 065 611	3 659	807
– Reversal of impairment on associate	–	–	(6 529)	(6 529)
– Impairment loss on property, plant and equipment	1 450 814	1 065 445	–	–
– Loss on disposal of property, plant and equipment	231	166	10 188	7 336
Headline earnings		292 200		304 570
Headline earnings per share (cents)				
Basic		91		95
Diluted		89		92

* Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.

(c) Reconciliation of headline earnings for the year to normalised earnings

	2018 R'000	Restated* 2017 R'000
Headline earnings	292 200	304 570
Limitations of IAS39, "Financial Instruments" resulting in a highly effective commodity risk management programme not qualifying for hedge accounting	(43 863)	25 982
Timing mismatch: Insurance claim	–	(18 000)
Metal price lag	(2 525)	(107 677)
Normalised earnings	245 812	204 875
Headline earnings per share (cents)		
Basic	77	64
Diluted	75	62

* Enhanced disclosure based on the revised definition of normalised earnings per share

(d) Information concerning the classification of securities

(i) Options

Options granted to employees under the various Hulam Group schemes as presented in note 8.1 are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share if the required performance condition would have been met based on the company's performance up to the reporting date, and to the extent that they are dilutive. The options have not been included in the determination of basic earnings per share.

59 714 197 options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2018. These options could potentially dilute basic earnings per share in the future.

Notes to the group financial statements continued

for the year ended 31 December 2018

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE CONTINUED

2.2 EARNINGS PER SHARE CONTINUED

(ii) Bonus shares

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

2.3 EXPENSES BY NATURE

The group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the group.

	2018 R'000	Restated* 2017 R'000
Aluminium and other material costs	7 255 827	6 067 593
Utilities and other direct manufacturing costs	1 187 127	1 111 679
Employment costs (note 2.3.1)	1 241 193	1 144 905
Depreciation (note 5.1)	222 271	200 598
Amortisation of intangible assets (note 5.2)	19 003	15 776
Repairs and maintenance	291 799	326 235
Freight and commissions	469 425	380 655
Impairment of property, plant and equipment and intangible assets (note 5.3)	1 450 814	–
Other operating income and expenditure (note 2.3.2)	622 998	469 214
	12 760 457	9 716 655
Classified as:		
Cost of sales of goods	10 583 507	9 115 128
Cost of providing services*	82 422	56 432
Selling, marketing and distribution expenses	448 237	396 442
Administrative and other expenses (including net impairment losses)	195 477	148 653
Impairment of property, plant and equipment	1 450 814	–
	12 760 457	9 716 655

* Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.

2.3.1 EMPLOYEE BENEFIT COSTS

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

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

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

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

	2018 R'000	2017 R'000
Employment costs		
Salaries and wages	1 143 886	1 031 417
Retirement benefit costs:		
Defined contribution schemes (note 8.2)	64 926	58 379
Defined benefit scheme (note 8.2)	(9 254)	(7 934)
Post retirement medical aid costs (note 8.2)	24 559	23 891
Retirement gratuities (note 8.2)	7 068	6 161
Share incentive costs	10 008	32 991
	1 241 193	1 144 905

2.3.2 OTHER OPERATING INCOME AND EXPENDITURE

The following separately disclosable items are included in other operating income and expenditure:

	2018 R'000	2017 R'000
Inventory net realisable value adjustment	(9 825)	10 000
Operating leases	25 817	19 740
Increase/(decrease) in provision for impairment of debtors	3 764	(393)
Auditors' remuneration (note 2.3.3)	5 625	5 556

2.3.3 AUDITORS' REMUNERATION

	2018 R'000	2017 R'000
Audit fees	4 501	4 772
Fees for other services	248	326
Expenses	876	458
	5 625	5 556

2.4 OTHER GAINS AND LOSSES ON FINANCIAL INSTRUMENTS RELATED TO TRADING ACTIVITIES

The group is exposed to fluctuations in aluminium prices and exchange rates, and hedges these risks with derivative financial instruments. The group applies hedge accounting to gains and losses arising from certain derivative financial instruments. Hedges of forecast sales transactions are, where effective, accounted for as cash flow hedges.

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

Other gains and losses includes, *inter alia*, the fair value adjustments arising from fair value hedges, non-hedge accounted derivative financial instruments (ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains.

	2018 R'000	Restated* 2017 R'000
Valuation adjustments on non-derivative items	87 274	(2 175)
Valuation adjustments on derivative items **	189 689	(108 956)
	276 963	(111 131)

* Financial information has been restated in accordance with note 9.7 due to the correction of a prior period error.

** Included in the above are fair value adjustments arising from commodity futures used to hedge the metal price lag.

Whilst Hualamin's commodity risk management strategy is effective in mitigating the impact of metal price lag, this is considered ineffective for the purposes of hedge accounting (refer note 12). Accordingly, these fair value movements over the period arising from commodity futures have not been included in the hedge reserve (where the sale has not yet occurred) or in revenue (where the sale has occurred) to match against the gross metal price lag included in gross profit.

2.5 OTHER GAINS AND LOSSES

	2018 R'000	2017 R'000
Loss on disposal of property, plant and equipment	(231)	(10 188)
Insurance income – Claim recoveries	–	26 340
Impairment reversal	–	6 529
	(231)	22 681

Notes to the group financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY: MEASURES TO ASSESS GROUP LEVERAGE

3.1 NON-CURRENT BORROWINGS

Financial liabilities are initially measured at fair value net of transaction costs. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired.

	2018 R'000	2017 R'000
Nedbank loan facility	108 000	162 000
Less: Current portion included in current borrowings (note 3.2)	(54 000)	(54 000)
	54 000	108 000
Effective interest rate (%)	10.50	10.44

The Nedbank long-term loan is secured against a mortgage bond of R405 million (2017: R405 million) over land and buildings disclosed in note 5.1 with a carrying amount of R192.9 million.

The fair values of the non-current borrowings approximate their carrying value since the interest payable on these borrowings approximates current market rates. The fair value of the borrowings are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

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

As R54 million (2017: R54 million) is due within twelve months from reporting date, it has been reclassified to current borrowings (note 3.2).

3.2 CURRENT BORROWINGS

	2018 R'000	2017 R'000
Nedbank revolving facilities	632 149	193 963
Current portion of term loan (note 3.1)	54 000	54 000
Pension fund loan (note 9.5)	79 634	72 736
	765 783	320 699
Effective interest rates are as follows:		
Nedbank revolving facility %	8.88	9.59
Pension fund loan %	9.05	9.72

The Nedbank revolving facilities comprise a gross borrowings of R1 276.0 million (2017: R571.5 million) which has been offset by bank balances of R644.0 million (2017: R377.5 million) in terms of the loan agreements with Nedbank.

Included in bank balances which have been offset against borrowings are the following foreign currency denominated accounts:

	2018 R'000	2017 R'000
Euro	156	703
Pound Sterling	27	–
US Dollar	111	26 909

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:

	2018	2017
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 Hulam Limited and Hulam Extrusions Proprietary Limited. The debt package is held through Hulam 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 based on the short-term nature of these borrowings.

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 2018.

	2018 R'000	2017
Net debt comprises:		
Cash and cash equivalents	525 981	111 472
Non-current borrowings	(54 000)	(108 000)
Current borrowings	(765 783)	(320 699)
Net debt (note 7.4)	(293 802)	(317 227)
Cash and cash equivalents	525 981	111 472
Gross debt - variable interest rates	(819 783)	(428 699)
Net debt	(293 802)	(317 227)

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

	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	223 754	–	232 481
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	27 118	–	–	27 118
Net debt as at 31 December 2017	111 472	(320 690)	(108 000)	(317 218)
Cash flows	423 225	(391 093)	–	32 132
Transfer between categories	–	(54 000)	54 000	–
Foreign exchange adjustments	(8 717)	–	–	(8 717)
Net debt as at 31 December 2018	525 981	(765 783)	(54 000)	(293 802)

Notes to the group financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY: MEASURES TO ASSESS GROUP LEVERAGE CONTINUED

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 IFRS.

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

(a) Authorised

800 000 000 ordinary shares of no par value (2017: 800 000 000 ordinary shares)

31 477 333 A ordinary shares of no par value (2017: 31 477 333 A ordinary shares)

36 072 000 B ordinary shares of no par value (2017: 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.

(b) Issued

	2018 R'000	2017 R'000
Ordinary shares		
Opening balance: 319 596 836 shares of no par value (fully paid up) (2017: 319 596 836 shares (fully paid up))	1 817 580	1 817 580
Issued during year: nil (2017: nil)	–	–
Closing balance: 319 596 836 shares of no par value (fully paid up) (2017: 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) (2017: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	59 656	59 656
Issued during the year: nil (2017: nil)	–	–
Closing balance: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up) (2017: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	59 656	59 656
B ordinary shares		
Opening balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2017: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up))	361	361
Issued during the year: nil (2017: nil)	–	–
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2017: 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

(c) 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.

(d) Unissued

(i) Under option to employees:

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

(ii) Under the control of the directors:

At 31 December 2018, 6 801 529 unissued ordinary shares (2017: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes. Shares under the control of the directors are approved annually at the Annual General Meeting.

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.

	2018 R'000	2017 R'000
Dividends per share declared		
Final dividend: 18 cents on 319 596 836 ordinary shares (2017: 15 cents on 319 596 836 ordinary shares)	57 527	47 940
Final dividend: 18 cents on 4 721 600 A1 ordinary shares (2017: 15 cents on 4 721 600 A1 ordinary shares)	850	708
Total	58 377	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 amortised cost and includes cash on hand and deposits held with local banks with original maturities of three months or less.

	2018 R'000	2017 R'000
Bank balances	17 372	30 263
Overnight call deposits	508 600	81 000
Cash on hand	9	209
	525 981	111 472
Effective interest rate on credit balances (%)	2.38	3.30

Bank balances with a carrying value of R508.6 million (2017: R81.0 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.

The inventory balance consists of:

	2018 R'000	2017 R'000
Raw materials	475 476	557 382
Work-in-progress	622 797	545 828
Finished goods	880 613	770 890
Consumable stores	283 659	275 961
	2 262 545	2 150 061

Inventories with a carrying value of R625 million (2017: R604 million) are encumbered as security for borrowing facilities (note 3.2).

Inventories recognised as an expense during the year ended 31 December 2018 amounted to R10 664 million (2017: R9 115 million). These were included in cost of sale of goods. Certain items of inventory were written down (note 2.3.2) to net realisable value.

Notes to the group financial statements continued

for the year ended 31 December 2018

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY CONTINUED

4.3 TRADE AND OTHER RECEIVABLES

(a) Accounting policies and significant judgements

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 60 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of the consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The group holds trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method. Details of the group's impairment policies are provided in section (c) below.

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

The group classifies its financial assets at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows, and
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan within the group, and a failure to make contractual payments for a period greater than 120 days past due.

Sundry receivables generally arise from transactions outside of the usual trading activities of the group.

Before 1 January 2018 the group accounted for financial assets on initial recognition at fair value plus transaction costs. Loans and receivables, which include trade receivables, were subsequently measured at amortised cost less impairment losses, which are recognised in the income statement. Financial assets carried at amortised cost were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. In particular, the trade receivables provision is established where there was objective evidence that the group will not collect all amounts due according to the original terms of receivables. Evidence of impairment may have included indications that the debtors are experiencing significant financial difficulty.

(b) Financial and non-financial assets

	2018 R'000	Restated* 2017 R'000
Financial assets	1 355 256	1 079 468
Trade receivables - net of settlement discounts	1 343 727	1 054 939
Less: Loss allowance	(5 271)	(1 507)
Net Trade receivables	1 338 456	1 053 432
Sundry receivables	16 800	26 036
Non-financial assets	175 023	157 628
Prepayments	40 613	34 366
Value-added taxation receivable	134 410	123 262
	1 530 279	1 237 096

* See note 9.8 for details about restatements resulting from the adoption of new accounting standards.

Included in trade receivables is an amount of R12.3 million (2017: R14.8 million) relating to claims from customers on current year sales for which it is probable that credit notes will be issued in the following financial year.

(c) Impairment of trade receivables

The group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure expected credit losses trade receivables have been grouped based on shared credit risk characteristics and days past due. The group has trade receivables for sales of inventory and the provision of services. The sale of goods and provision of services have substantially the same risk characteristics for the same type of customer. The group has therefore concluded that the expected loss rate relating to sale of goods are a reasonable approximation of the loss rate for the provision of services. The group also covers all trade receivables through the Credit Guarantee Insurance Company (CGIC) and cover is subject to an excess and first loss aggregate. The CGIC cover is taken out at the inception of the sale and is integral to the enactment of the sale. Therefore the CGIC cover is included in the calculation of the loss allowance.

The group has determined that it is appropriate to group trade receivables into local and export receivables. The aggregation of trade receivables in this manner is consistent with the way in which the executive committee monitors sales and market demand. Further the cover obtained through CGIC quotes a premium based on the two categories of trade receivables, local and export, further indicating the similarity of trade receivables within these two categories.

The expected loss rates are based on the payment profile of sales over a period of 24-months before 31 December 2018 or 1 January 2018 respectively and the corresponding historical credit losses experienced within this period. As debtors days are on average 30 days for local debtors and 45 days for export debtors a 24-month period reflects sufficient data points over the life of the asset to determine historical credit losses. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customer to settle the receivables. Current forward looking information considered by the Hulam Credit Risk Committee includes; regional growth and political stability. If forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults the historical default rates are adjusted.

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

On that basis, the loss allowance as at 31 December 2018 was determined as follows for trade receivables:

31 December 2018	Current R'000	30 days R'000	60 days R'000	90 days R'000	120 days R'000	More than 120 days R'000	Total R'000
Export debtors							
Expected loss rate	0.0%	0.2%	0.6%	0.9%	2.8%	4.6%	
Gross carrying amount	578 472	139 782	28 237	18 646	17 788	52 692	835 617
Loss allowance	34	341	170	171	505	2 429	3 650
Local debtors							
Expected loss rate	0.0%	0.0%	0.5%	1.8%	3.7%	53.9%	
Gross carrying amount	219 723	283 764	10 381	4 845	8 811	2 049	529 573
Loss allowance	5	51	53	87	322	1 104	1 621

The closing loss allowance for trade receivables as at 31 December 2018 reconcile to the opening loss allowance as follows:

	2018 R'000
31 December – Calculated under IAS 39	1 507
Amounts restated through opening retained earnings	(204)
Opening loss allowance as at 1 January 2018 - calculated under IFRS 9	1 303
Increase in loss allowance recognised in profit or loss during the year	4 648
Receivables written off during the year as uncollectible	(671)
Unused amounts reversed	(9)
At 31 December 2018	5 271

Notes to the group financial statements continued

for the year ended 31 December 2018

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY CONTINUED

4.3 TRADE AND OTHER RECEIVABLES CONTINUED

(d) Credit risk of trade receivables

The group's credit risk exposure to customers is mainly influenced by individual customer characteristics and there is no significant concentration of risk related to industry segments. In addition to significant exposures arising from specific customers, credit exposures to both local and overseas customers are detailed below. The 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 percentage of all trade receivables covered by insurance is detailed below.

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

	2018 R'000	Restated* 2017 R'000
Receivables that are not overdue and remain within credit limits	872 528	999 921
Receivables which have exceeded credit terms and are:	482 728	79 547
Overdue by less than 60 days	469 801	58 367
Overdue by more than 60 days	12 927	21 180
Total financial assets, net of provision for expected credit losses	1 355 256	1 079 468

* See note 9.8 for details about restatements resulting from the adoption of new accounting standards.

At 31 December, the group had 13 debtors that owed it more than R10 million each and accounted for approximately 65% of all receivables outstanding (the prior year included 19 debtors that accounted for approximately 69%). Three debtors owed the group more than R100 million each and accounted for approximately 49% of all receivables outstanding (the prior year included two debtors which accounted for approximately 22% of all receivables outstanding). There is no other significant concentration of risk related to particular customer or industry segments. As at 31 December 2018, 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	2017 R'000
Local trade receivables	241 563	347 696
– Balance subject to credit insurance (%)	100	96
Export trade receivables	614 164	626 189
– Balance subject to credit insurance (%)	99	100
	855 727	973 885

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

Trade and other receivables with a carrying value of R862.2 million (2017: R802.0 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. This exposure arises due to the early closure of financial institutions on 31 December.

	2018 Foreign amount '000	2018 Rand amount R'000	2017 Rand amount R'000
Euro	184	3 031	16 545
US Dollar	7 207	104 007	188 416
		107 038	204 961

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.

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.

Before 1 January 2018 the group initially measured financial liabilities at fair value net of transaction costs. Financial liabilities (excluding liabilities designated in a hedging relationship) that were not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost.

	2018 R'000	Restated** 2017 R'000
Trade payables	1 072 214	921 663
Bonus accrual	53 059	59 520
Leave pay	75 534	69 523
Current leave obligations expected to be settled after 12 months*	18 059	20 017
Current leave obligations expected to be settled within 12 months*	57 475	49 506
Sundry accruals and other payables	179 402	207 394
	1 380 209	1 258 100

* 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 full amount of accrued leave or require payment within the next 12 months.

** See note 9.8 for details about restatements resulting from the adoption of new accounting standards.

Sundry accruals and other payables includes provisions, employee benefit obligations and accrued interest.

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

5.1 PROPERTY, PLANT AND EQUIPMENT

(a) Accounting policies and significant judgements

(i) Useful lives and residual values

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. During the current year management obtained the services of an independent valuator to assess the useful lives and residual values of the critical assets. All other asset useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments.

(ii) Derecognition

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

(iii) Borrowing costs

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

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

Notes to the group financial statements continued

for the year ended 31 December 2018

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

5.1 PROPERTY, PLANT AND EQUIPMENT CONTINUED

(a) Accounting policies and significant judgements continued

The weighted average interest rate used for borrowing costs capitalised is 9.31% (2017: 10.19%).

(iv) 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 9.31% (2017: 10.19%).

(b) Property, plant and equipment movement schedule

	Total R'000	Land and buildings R'000	Plant and machinery R'000	Vehicles, equipment and other R'000	Capital works under construction R'000
2018					
At cost					
Balance at beginning of year	7 841 222	1 103 600	6 408 490	198 962	130 170
Additions	210 538	3 433	34 159	3 817	169 129
Borrowing costs capitalised	6 790	–	–	–	6 790
Capitalised from capital works under construction	–	7 556	135 735	25 795	(169 086)
Transfers	(138)	–	–	(138)	–
Disposals	(21 397)	–	(10 437)	(10 960)	–
Balance at end of year	8 037 015	1 114 589	6 567 947	217 476	137 003
Accumulated depreciation and impairment losses					
Balance at beginning of year	4 516 629	553 510	3 859 029	104 090	–
Charge for the year (note 2.3)	222 271	17 624	191 036	13 611	–
Impairment of property, plant and equipment	1417 621	–	1 303 367	46 442	67 812
Transfers	(138)	–	–	(138)	–
Disposals	(21 162)	–	(10 202)	(10 960)	–
Balance at end of year	6 135 221	571 134	5 343 230	153 045	67 812
Carrying value at 31 December 2018	1 901 794	543 455	1 224 717	64 431	69 191
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

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

Moveable items with a carrying value of R41.1 million (2017: R87.1 million) and land and buildings, largely production buildings located at our Campsdrift site, with a carrying value of R192.9 million (2017: R198.1 million) are encumbered as security for borrowing facilities (note 3.2).

The total depreciation charge is included in cost of sales, R200.2 million (2017: R181.2 million), and inventory, R22.1 million (2017: R19.4 million).

Included in property, plant and equipment are assets with a carrying amount of R32.5 million which are currently mothballed and not classified as held-for-sale.

5.2 INTANGIBLE ASSETS

(a) Accounting policies and significant judgements

The group's only intangible asset is computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software. 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.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss when the asset is derecognised.

Computer software costs recognised as assets are amortised over their estimated useful lives.

(b) Intangible assets movement schedule

	2018 R'000	2017 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	79 962	86 922
Additions	21 545	
Written-off	(8 404)	
Transfers		(6 960)
Balance at end of year	93 103	79 962
Accumulated amortisation		
Balance at beginning of year	59 580	54 948
Charge for the year (note 2.3)	7 067	4 632
Written-off	(8 404)	–
Impairment of intangible assets	11 853	–
Transfers	–	–
Balance at end of year	70 096	59 580
Carrying value at end of year	23 007	20 382
Software costs – purchased		
Balance at beginning of year	100 566	77 401
Additions	9 661	4 607
Borrowing costs capitalised	–	218
Written-off	(5 999)	–
Transfers	–	18 340
Balance at end of year	104 228	100 566

Notes to the group financial statements continued

for the year ended 31 December 2018

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

5.2 INTANGIBLE ASSETS CONTINUED

(b) Intangible assets movement schedule continued

	2018 R'000	2017 R'000
Accumulated amortisation		
Balance at beginning of year	56 804	40 289
Charge for the year (note 2.3)	11 936	11 144
Written-off	(5 980)	–
Impairment of intangible assets	21 339	–
Transfers	–	5 371
Balance at end of year	84 099	56 804
Carrying value at end of year	20 129	43 762
Total software costs		
Cost	197 331	180 528
Accumulated amortisation	(154 195)	(116 384)
Carrying value at end of year	43 136	64 144

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

The weighted average interest rate used for borrowing costs capitalised is 9.31% (2017: 10.19%).

Capital work in progress included within total software cost above is R9.5 million. (2017: Rnil).

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

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

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

	2018 R'000	2017 R'000
The impairment charges recognised in the income statement are as follows:		
Rolled Products cash generating unit (note b)	1 376 319	–
Extrusions cash generating unit (note c)	74 495	–
Total impairment charge	1 450 814	–
Taxation	(385 369)	–
Net impairment charge	1 065 445	–

(b) Rolled Products Cash Generating Unit

The carrying value of property, plant and equipment and intangible asset balances relating to the Rolled Products CGU exceeded the recoverable amount by R1 376 million and a gross impairment charge was recognised which, after a reduction of R385 million in the related deferred tax liability, decreased shareholder's equity by R991 million.

The key economic and business assumptions used in the value-in-use calculation are consistent with those used in the budget and the five year business plan approved by the board of directors. Adjustments were made to the plan forecasts to ensure compliance with the value in use methodology required by IAS 36. The group continues to forecast that free cash flows will improve in future periods. The most recent forecast of these free cash flows is higher than the forecast done in the previous year. Key assumptions include:

Sales volumes are forecast to grow to 236 000 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 2021 and with reference to inflation differentials thereafter, with the ZAR: USD rate rising from an average of R14.27 in 2019 to R15.06 in 2023.

A pre-tax discount rate of 20.6% (post-tax 15.6%) was used in the calculation and this rate is materially higher from the pre-tax 15.0% (post-tax 12.1%) used in 2017. The increase in the discount rate is due to:

- Increases in the component elements of the discount rate, including the increase in the bond rate used to determine the risk free rate, an increase in borrowing rates in line with bond rates, and lower debt to equity ratios in the industry.
- The adoption of a 3% specific risk premium, which is a significant increase compared to the 1% premium used in 2017. This heightened risk premium has been adopted as the CGU's future cash flows are impacted by increased uncertainty. This heightened level of uncertainty in world markets in general, and in the global aluminium industry in particular, reflects the increasing fragmentation of globalised trading patterns and increased geo-political uncertainty, as evidenced by increasing trade tensions and a slow down in globalisation.

Sensitivity analysis

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

- Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R282 million*
- Rolling margins: A reduction in average rolling margins of 5,0% for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 364 million*.
- Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period may result in an additional impairment charge, before tax, of up to R1 433 million.

(c) Extrusions Cash Generating Unit

The Extrusions cash generating unit has experienced difficult trading conditions in 2018. Performance and cash flows are forecast to improve in the future, but the required turn around in performance has increased the uncertainty related to these cash flows. The risk premium in respect of the valuation of these cash flows has correspondingly been increased from 2% to 5%. The carrying value of the assets therefore exceeds the recoverable amount by R121 million. The impairment charge was limited to R74 million which represents the recoverable amount of individual assets.

The recoverable amount is the higher of value in use and fair value less costs of disposal. Value in use was estimated using a pre tax discount rate of 21,1% (post tax 17.1%), and the fair value less costs of disposal was estimated using obsolescence factors of between 85% and 1% depending on the estimated remaining useful life of the asset.

Sensitivity analysis

The determination of the value in use for Hulamín Extrusions, and any resulting impairment, is particularly sensitive to:

- Discount rate: A 1% increase in the pre-tax discount rate may result in an additional impairment charge, before tax, of up to R15 million.
- Earnings before tax: A 5% decrease in earnings before tax may result in an additional impairment charge, before tax, of up to R11 million.

* The recognition of additional impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount.

5.4 CAPITAL EXPENDITURE COMMITMENTS

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

	2018 R'000	2017 R'000
Property, plant and equipment	174 882	42 527

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

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6. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

6.1 DETAILS OF INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) 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 statement of profit or loss from the date the group exercised control, or up until the point it ceases to exercise control. Inter-company transactions, balances and unrealised gains and losses on transactions between group entities are eliminated on consolidation. 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.

(b) 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. An impairment loss on an associate should be recognised in the share of profit of an associate in the Statement of Profit or Loss. 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.

During the 2017 financial period, the previously recognised impairment of R6.5 million was reversed after taking into account an offer to purchase the investment. Refer to note 6.2. The sale is set to proceed pending the approval from the Zimbabwean Authorities.

Name	Country of incorporation	% Equity interest 2018	% Equity interest 2017	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 (Pty) Ltd.

Beneficial interest of 100%.

** Investment held by Hulamin Extrusions Proprietary Limited.

All the investments are unlisted.

Structured entities

The following structured entities have been consolidated:

The 2015 Hulamin Employee Share Ownership Trust
The ESOP Trust
Imbewu SPV 14 (Pty) Ltd

Structured entities have no material individual assets or liabilities. All transactions with structural entities eliminate on consolidation. No financial guarantees are provided on behalf of structured entities.

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 2017 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 was expected to be completed within 12 months from year-end. IFRS 5, "Non-current assets held for sale" provides that an exception to the 12-month requirement shall be applied in an event where it can be shown that another party (not the buyer) will impose conditions on the transfer of the asset that will extend the period beyond 12-months. The sale agreement has been signed by both parties and the sale is pending approval from the Zimbabwean Regulatory Authorities. The asset is presented within total assets of the Extrusions segment in note 2.1.

The held-for-sale investment is 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 carrying amount.

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

	2018 R'000	2017 R'000
Investment in associate	6 529	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

(a) 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 50% of the 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 group's foreign currency exposure at 31 December, the after tax profit for the year would have been higher or lower by R21 580 655 (2017: R9 060 011) based on the group's exposure at the balance sheet date. The sensitivity of profits to changes in exchange rates is a result of foreign exchange gains or losses on translation of foreign currency denominated trade receivables and payables and financial assets and liabilities at fair value through profit or loss that are offset by equivalent gains or losses in currency derivatives. The above change in currency exchange rates would have resulted in equity being lower or higher by R31 618 484 (2017: R22 333 000). The change in equity is mainly from foreign exchange losses or gains on translation of US Dollar denominated cash-flow hedging instruments.

The group uses foreign currency forwards to hedge its exposure to foreign currency risk. The group only designates the spot component of foreign currency forwards in hedge relationships. The spot component is determined with reference to relevant spot exchange rates. The differential between the contracted forward rate and the spot market exchange rate is defined as the forward points. The changes in the forward element of the foreign currency forwards that relate to hedged items is recorded in profit or loss.

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7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuate with movements in prices on the London Metal Exchange and the group is thus exposed to commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the approach is to hedge 50% of the risk using futures contracts. At 31 December 2018, 50% (2017: 50%) of the risk was hedged.

The group uses LME futures to hedge its exposure to movements in the LME price. The LME price represents one component of the metal sales price, which includes other components such as regional premium and conversion margin. In order to qualify for hedge accounting under IAS 39, the hedge must be expected to be highly effective in achieving offsetting changes in cash flows attributable to the hedged risk. IAS 39 further assumes that there is insufficient information to separately identify and reliably measure these components. As a result, despite the fact that the LME futures are highly efficient when measured against the LME price component, there is insufficient correlation between LME futures and changes in the full invoice price to warrant hedge accounting. As a result, these derivatives are accounted for at fair value through profit and loss. The group will implement the hedging component of IFRS 9 for the financial year starting 1 January 2019. Under the hedging component of IFRS 9 the price components of the invoice can be separately designated as the hedged item and these derivative instruments are expected to be hedge accounted.

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 R31 609 402 (2017 restated: R29 190 947) based on the group's exposure to firm customer commitments at the balance sheet date. The above change in aluminium prices would have had no effect on equity (2017 restated: nil) as none of these instruments were hedge accounted.

(c) Hedge accounting

(i) *Classification of derivatives*

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting requirements, they are classified as "fair value through profit or loss". They are presented as current assets or liabilities to the extent they are expected to be settled within 12-months after the end of the reporting period.

The fair value of derivative assets and derivative liabilities 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.

(ii) *Derivatives and hedging activities*

As part of its risk management strategy, the group has identified a series of risk categories with corresponding hedging strategies using derivatives.

Hedge accounting is adopted when all the IFRS requirements are fulfilled, which includes documenting at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. In addition, the group documents the assessment, both at hedge inception and on an ongoing basis, of the hedge effectiveness. Transactions that are entered into in accordance with the group's hedging objectives but which do not qualify for hedge accounting, are referred to in these financial statements as economic hedge relationships.

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

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

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

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. The group's hedging reserve disclosed in the statement of changes in equity relate to the following hedging instruments:

(iii) *Hedging reserve*

	Spot component of currency forwards R'000	Total hedge reserve R'000
Opening balance 1 January 2017	15 506	15 506
Add: Change in fair value of hedging instrument recognised in OCI	10 053	10 053
Less: Reclassified to profit or loss - on hedge maturity	23 965	23 965
Less: Deferred tax	(9 525)	(9 525)
Closing balance 31 December 2017	39 999	39 999
Add: Change in fair value of hedging instrument recognised in OCI	(150 053)	(150 053)
Less: Reclassified to profit or loss – on hedge maturity	85 776	85 776
Less: Deferred tax	17 998	17 998
Closing balance 31 December 2018	(6 280)	(6 280)

(iv) *Amount recognised in profit or (loss)*

During the year the following amounts were recognised in profit or (loss) in relation to derivative instruments and valuation adjustments on non-derivative financial instruments:

	2018 R'000	Restated* 2017 R'000
Valuation adjustments on non-derivative items (note 2.4)		
Foreign exchange gains on debtors and creditors balances	95 990	(29 293)
Foreign currency denominated cash balances	(8 717)	27 118
	87 274	(2 175)
Valuation adjustments on derivative items		
Foreign exchange contracts: firm commitments, debtors and creditors balances	(30 737)	45 370
Commodity futures	134 649	(178 291)
	103 913	(132 921)
Forward point gains: forward exchange contracts in respect of cash flow hedge designated contracts	35 095	75 122
The following amounts are included in revenue:		
Cash flow hedge losses transferred from equity	85 776	23 965
Valuation adjustments on derivative items	103 913	(132 921)
Losses included in revenue	85 776	23 965
Valuation adjustments on derivative items (note 2.4)	189 689	(108 956)

* See note 9.7 for the details about the restatement resulting from the correction of prior period errors.

Notes to the group financial statements continued

for the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

(c) Hedge accounting continued

(v) *Hedge ineffectiveness*

In order to qualify for hedge accounting, a hedge relationship must be expected to be highly effective on a prospective basis and it needs to be demonstrated that it was highly effective retrospectively. A hedge is considered to be highly effective if the changes in fair value or cash flows attributable to the hedged risk are expected to be offset by the hedging instrument in a range of 80% to 125%. The group enters into hedge relationships where the critical terms of the hedging instrument largely match the terms of the hedged item. Actual hedge effectiveness is determined, at a minimum, during interim and annual reporting periods to illustrate that an economic relationship exists between the hedged item and the hedging instrument.

Ineffectiveness may arise if the timing of the forecast transactions changes from what was originally estimated. Ineffectiveness during the year has been illustrated in section (iv) above.

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

	2018 R'000	2017 R'000
Foreign currency management – probable forecast sales	(10 555)	64 822
Foreign currency management – firm commitments, trade debtors, creditors and import orders	(6 628)	66 378
Commodity price management	54 453	(30 700)
	37 270	100 500
Grouped as:		
Financial assets	71 281	143 767
Financial liabilities	(34 011)	(43 267)
	37 270	100 500

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 2018 is R54.5 million (2017: R131.2 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.

(d) Foreign currency management – probable forecast sales

The following forward foreign exchange contracts (FECs) on hand at period end were designated as hedging instruments in terms of hedge accounting.

	2018			2017		
	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	18 351	263 401	2 066	40 671	555 003	(49 818)
		263 401	2 066		555 003	(49 818)
Forward sales						
US Dollar	(78 679)	(1 131 137)	(12 621)	(87 577)	(1 207 105)	114 640
		(1 131 137)	(12 621)		(1 207 105)	114 640
Net total		(867 736)	(10 555)		(652 102)	64 822
Maturing in:						
2018		–	–		(652 102)	64 822
2019		(867 736)	(10 555)		–	–
		(867 736)	(10 555)		(652 102)	64 822
Cash flow hedges		(867 736)	(10 555)		(652 102)	64 822
Grouped as:						
Financial assets			2 073			64 822
Financial liabilities			(12 628)			–
			(10 555)			64 822

Hedge ratio	100%
Change in the spot value of outstanding instruments since 1 January (R'000)	(90 614)
Change in the value of hedged item used to determine hedge effectiveness (R'000)	83 048
Weighted average hedged rate for the year (including forward points)	13.06

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 sales transaction attributable to movements in exchange rates to the change in the fair value of the FECs.

Notes to the group financial statements continued

for the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.1 MARKET RISK CONTINUED

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

The following forward foreign exchange contracts 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:

	2018			2017		
	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	13 374	225 402	(2 113)	6 583	106 126	(7 837)
Pound Sterling	739	13 887	(215)	627	11 393	(849)
US Dollar	30 691	445 002	1 108	40 762	544 680	(36 544)
		684 291	(1 220)		662 199	(45 231)
Forward sales						
Euro	(19 705)	(321 452)	(6 822)	(18 372)	(291 839)	18 414
Pound Sterling	(1 043)	(19 013)	(260)	(584)	(10 839)	1 008
US Dollar	(45 577)	(664 870)	1 674	(92 349)	(1 243 261)	92 186
		(1 005 335)	(5 408)		(1 545 939)	111 608
Net total		(321 045)	(6 628)		(883 739)	66 378
Maturing in:						
2018		–	–		(883 739)	66 378
2019		(321 045)	(6 628)		–	–
		(321 045)	(6 628)		(883 739)	66 378
Grouped as:						
Financial assets			10 691			66 432
Financial liabilities			(17 319)			(54)
			(6 628)			66 378

* Derivative instruments on average hold a maturity of 3-months or less.

(f) Commodity price management

The following futures contracts cover commodity price risk on future sales, but the requirements for prospective hedge effectiveness are not met and were therefore not hedge accounted:

	2018			2017		
	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*:						
2018	–	–	–	(20 375)	(540 018)	(30 700)
2019	(21 325)	644 462	54 453	–	–	–
	(21 325)	644 462	54 453	(20 375)	(540 018)	(30 700)
Grouped as:						
Financial assets			58 517			12 513
Financial liabilities			(4 064)			(43 213)
			54 453			(30 700)

* Derivative instruments on average hold a maturity of 3-months or less.

The group enters into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures are not hedge accounted at the period end.

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 has not fixed the interest rate on any of its borrowings. Consequently, every 0,5 percentage point increase or decrease in the interest rate at 31 December would have no fair value effect on after-tax profit (2017: nil) and no effect on equity (2017: 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 R2.7 million (2017: R2.8 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.

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 A1 credit rating, per Moody'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	2018 R'000	2017 R'000
Working capital		1 300 000	1 300 000
General banking		350 000	350 000
Pension fund		79 635	72 736
Current facilities		1 729 635	1 722 736
Non-current facilities		108 000	162 000
Total borrowing facilities		1 837 635	1 884 736
Utilised by:			
Non-current borrowings	3.1	(54 000)	(108 000)
Current borrowings	3.2	(765 783)	(320 699)
Cash and cash equivalents	4.1	525 981	111 472
Committed undrawn facilities and cash		1 543 833	1 567 509

Non-current facilities comprise a term loan of R108.0 million (2017: R162.0 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, Hulamini borrowing facilities include a general short-term facility of R350.0 million (2017: R350.0 million), revolving working capital facilities of R1 300 million (2017: R1 300 million) that are committed for a further twelve months, and a pension fund loan facility of R79.6 million (2017: R72.7 million).

Notes to the group financial statements continued

for the year ended 31 December 2018

7. FINANCIAL RISK MANAGEMENT: MEASURES TO MITIGATE RISK CONTINUED

7.4 LIQUIDITY RISK CONTINUED

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 three years R'000	Three to four years R'000	Three to four years R'000	Total R'000
2017					
Non-current borrowings	–	120 685	–	–	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	120 685	–	–	1 623 857
2018					
Non-current borrowings*	–	59 670	–	–	59 670
Current borrowings*	833 938	–	–	–	833 938
Trade and other payables (excluding employee benefit payables)	1 216 445	–	–	–	1 216 445
Derivative financial liabilities	34 011	–	–	–	34 011
	2 084 394	59 670	–	–	2 144 064

* Borrowing facilities incur interest at variable rates. As fixed contractual terms are not known in future periods, management has estimated interest charges using a best estimate of the forecast rate and applied this to the average balance for the year. Amounts represent undiscounted payments which includes cash balances that have been contractually offset as noted in note 3.2.

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R1 395 million (2017: R1 349 million) which are payable within a period of three months, including trade payables in the amount of R1 072 million (2017: R927 million). Trade receivables amounting to R1 338 million (2017: R1 058 million) are recoverable within a period of three months.

7.5 CAPITAL RISK MANAGEMENT

The group's objective when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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

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

	Notes	2018 R'000	2017 R'000
Non-current borrowings	3.1	54 000	108 000
Current borrowings	3.2	765 783	320 699
Total borrowings		819 783	428 699
Less: Cash and cash equivalents	4.1	(525 981)	(111 472)
Net borrowings		293 802	317 227
Total equity		3 802 621	4 648 677
Total capital		4 096 423	4 965 904
Gearing ratio (net debt over total capital)	(%)	7.2	6.8

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE

8.1 SHARE-BASED PAYMENTS

(a) Employee schemes

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

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

(b) BEE transactions

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

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

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

(c) Information relating to employee share scheme grants

(i) *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 2017	Rights granted in 2018	Rights exercised in 2018	Rights forfeited/lapsed in 2018	Number of rights at December 2018	Rights time constrained
R6.91	R1.91	25 May 2011	2 263 838	—	—	2 263 838	—	—
R3.60	R0.81	22 October 2012	116 730	—	—	—	116 730	—
R4.56	R1.35	25 February 2013*	532 997	—	—	—	532 997	—
R6.90	R2.73	24 April 2014	2 581 697	—	—	75 731	2 505 966	—
R8.20	R3.17	23 April 2015	2 018 186	—	—	2 018 186	—	—
R6.30	R2.52	22 April 2016	7 509 292	—	—	7 509 292	—	—
R6.50	R2.59	26 April 2017	7 745 108	—	—	411 921	7 333 187	7 333 187
			22 767 848	—	—	12 278 968	10 488 880	7 333 187

* 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 vesting period of the award was 32 months and the awards vested on 22 October 2015. Participants have an additional 4-years within which to exercise their rewards.

The volume-weighted average share price during the year for Hulamin shares was R4.93.

Notes to the group financial statements continued

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8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.1 SHARE BASED PAYMENTS CONTINUED

(c) Information relating to employee share scheme grants continued

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%	0.5%	4.00%	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 Hulam Limited headline earnings per ordinary share as determined by the Remuneration Committee.

Market None

(ii) *Hulam Limited Long-term Incentive Scheme 2007 (with performance conditions)*

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

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/lapsed in 2018	Number of conditional awards at December 2018	Conditional time constrained
Nil	R7.60	23 April 2015	2 186 932	–	2 186 932	–	–	–
			2 186 932	–	2 186 932	–	–	–

The volume-weighted average share price during the year for Hulam shares was R4.93.

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
Share price at grant date	R8.20
Risk-free interest rate	7.13%
Expected volatility	43.22%
Expected dividends	0.50%
Expected remaining life (months)	4
Contractual life (months)	36

Vesting conditions:

Time Three years

Market Total shareholders' return (TSR)

Non-market Return on capital employed (ROCE)

(iii) Hulam Limited Long-term Incentive Scheme 2007 (without performance conditions)

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

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at December 2018	Conditional time constrained
Nil	R8.09	23 April 2015	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
			1 040 789	–	728 975	–	311 814	311 814

The volume-weighted average share price during the year for Hulam shares was R4.93.

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

	2017	2016	2015
Share price at grant date	R6.55	R5.75 (May) R5.89 (June)	R8.20
Risk-free interest rate	7.12%	7.87% (May) 8.15% (June)	7.13%
Expected volatility	42.09%	40.42% (May) 40.22% (June)	43.22%
Expected dividends	0.55%	0.49% (May) 0.48% (June)	0.50%
Expected remaining life (months)	16.5	4 (May) 5 (June)	–
Contractual life (months)	36	36	36

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(iv) Employee Conditional Share Plan (bonus shares)

Under the Equity-settled Conditional Share Plan (bonus shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at Dec 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at Dec 2018	Conditional time constrained
Nil	R3.93	26 July 2018	–	1 889 307	–	36 614	1 852 693	1 852 693
			–	1 889 307	–	36 614	1 852 693	1 852 693

The volume-weighted average share price during the year for Hulam shares was R4.93.

Notes to the group financial statements continued

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8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.1 SHARE BASED PAYMENTS CONTINUED

(c) Information relating to employee share scheme grants continued

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

	2018
Share price at grant date	R4.34
Risk-free interest rate	7.34%
Expected volatility	N/A
Expected dividends	3.27%
Expected remaining life (months)	31
Contractual life (months)	36

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(v) Employee Conditional Share Plan (performance)

Under the Equity-settled Conditional Share Plan (performance shares), participating employees are granted conditional awards. These awards are converted into shares in Hulamini 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 Dec 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/lapsed in 2018	Number of conditional awards at Dec 2018	Conditional time constrained
Nil	R3.28	26 July 2018	–	2 847 042	–	–	2 847 042	2 847 042
			–	2 847 042	–	–	2 847 042	2 847 042

The volume-weighted average share price during the year for Hulamini shares was R4.93.

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

	2018
Share price at grant date	R4.34
Risk-free interest rate	7.34%
Expected volatility	44.34%
Expected dividends	3.27%
Expected remaining life (months)	31
Contractual life (months)	36

Vesting conditions:

Time	Three years
Non-market	Return on capital employed (ROCE)
Market	Total shareholders return (TSR)

(vi) Employee Conditional Share Plan (retention)

Under the Equity-settled Conditional Share Plan (retention shares), participating employees are granted conditional awards. The vesting of the award is conditional on the employee continuing employment with the company or any other employer company until the vesting date.

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at Dec 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at Dec 2018	Conditional time constrained
Nil	R3.93	26 July 2018	–	602 164	–	–	602 164	602 164
			–	602 164	–	–	602 164	602 164

The volume-weighted average share price during the year for Hulamín shares was R4.93.

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

	2018
Share price at grant date	R4.34
Risk-free interest rate	7.34%
Expected volatility	N/A
Expected dividends	3.27%
Expected remaining life (months)	31
Contractual life (months)	36

Vesting conditions:

Time	Three years
Non-market	None
Market	None

(vii) Hulamín Limited Deferred Bonus Plan 2007

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

Grant price	Estimated weighted average fair value per right	Expiring seven years from	Number of conditional awards at December 2017	Conditional awards granted in 2018	Conditional awards exercised in 2018	Conditional awards forfeited/ lapsed in 2018	Number of conditional awards at December 2018	Conditional time constrained
R6.84	R8.79	8 May 2015	17 319	–	17 319	–	–	–
			17 319	–	17 319	–	–	–

The volume-weighted average share price during the year for Hulamín shares was R4.93.

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.1 SHARE BASED PAYMENTS CONTINUED

(vii) *Hulamin Limited Deferred Bonus Plan 2007 continued*

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

	2015
Share price at grant date	R6.84
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)	–
Contractual life (months)	36
Vesting conditions:	
Time	Three years
Non-market	None
Market	None

The Deferred Bonus Shares were purchased by the participating employee on 8 May 2015.

(d) BEE equity transactions

(i) *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	24 months
Contractual life	60 months
Vesting conditions:	
Time	Five years
Non-market	None
Market	Share price

(ii) 2015 Hulamin Share Ownership Plan (ESOP)

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

The 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	24 months
Contractual life	60 months
Vesting conditions:	
Time	Five years
Non-market	None
Market	Share price

*(iii) Isizinda Aluminium Proprietary Limited (Isizinda)**Bingelela Capital (Pty) Ltd (Bingelela)*

On 1 July 2015 Isizinda acquired the Bayside cashhouse 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 2018 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**(a) Accounting policies and significant judgements***(i) Pension obligations*

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

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

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

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

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

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 RETIREMENT BENEFITS CONTINUED

(a) Accounting policies and significant judgements continued

(iii) Retirement benefit schemes

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

(b) Provident fund

The group's contributions to the Metal Industries Provident Fund scheme, a defined contribution plan, amounted to R14.6 million (2017: R13.6 million) and were expensed during the year.

(c) Hulamin Pension Fund

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

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

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

The company provides no guarantee in terms of the investment returns that are earned on members' retirement benefit equalisation values. The retirement benefit equalisation value benefit accrues with service and is therefore accounted for as a defined benefit plan in terms of IAS 19 (revised). The group holds no actuarial or investment risk relating to the retirement benefit equalisation value benefit.

An actuarial valuation of the group's defined benefit obligation (in relation to the retirement benefit equalisation value) and assets in the employer surplus account was performed in accordance with IAS 19 (revised) at 31 December 2018. The next valuation will be performed at 31 December 2019.

	2018 R'000	2017 R'000
<i>Amounts recognised in the statement of financial position are as follows:</i>		
Fair value of plan assets (represents amounts held in employer surplus account)	150 157	144 313
Present value of funded obligations	(16 297)	(17 259)
Pension fund asset at end of year	133 860	127 054
<i>Movement in the defined benefit obligation is as follows:</i>		
Defined benefit obligation at beginning of year	17 259	14 155
Current service cost	3 138	3 145
Interest cost	2 029	1 671
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	(2 937)	(1 053)
Actuarial gains arising from experience adjustments	(2 980)	(509)
Benefits paid	(212)	(150)
Defined benefit obligation at end of year	16 297	17 259

	2018 R'000	2017 R'000
<i>Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:</i>		
Fair value of plan assets at beginning of year	144 313	131 552
Interest income	14 421	12 750
Remeasurements:		
(Losses)/gains on plan assets, excluding amounts included in interest income	(8 365)	191
Benefits paid	(212)	(180)
Fair value of plan assets at end of year	150 157	144 313
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	57 065	59 766
Conservative portfolio	239	156
Money market and cash	13 219	11 655
Other assets:		
Loan to employer company (note 3.2)	79 634	72 736
	150 157	144 313
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	70 523	60 008
	2018 R'000	2017 R'000
<i>(iv) The amounts recognised in the income statement are as follows:</i>		
Defined benefit plan (retirement benefit equalisation value)	(9 254)	(7 934)
Current service cost	3 138	3 145
Net interest income	(12 392)	(11 079)
Defined contribution plan	50 326	44 779
Employer cash contribution	50 326	44 779
	41 072	36 845
Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	(2 937)	(1 053)
Actuarial gains arising from experience adjustments	(2 980)	(509)
Losses/(gains) on plan assets, excluding amounts included in interest income	8 365	(191)

The average duration of the benefit obligation at 31 December 2018 is 20.2 years (2017: 21.6 years).

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 RETIREMENT BENEFITS CONTINUED

(c) Hulamin Pension Fund continued

		2018 R'000	2017 R'000
<i>(v) Principal actuarial assumptions at the end of the reporting period are as follows:</i>			
Discount rate	(%)	10.50	10.00
Future inflation rate	(%)	6.30	6.70
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		(414)	(554)
1% increase in discount rate – effect on the obligation		(2 692)	(3 044)
1% decrease in discount rate – effect on current service cost		512	692
1% decrease in discount rate – effect on the obligation		3 325	3 805

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

(d) Post-retirement medical aid benefits

The group has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

		2018 R'000	2017 R'000
<i>(i) Amounts recognised in the statement of financial position are as follows:</i>			
Present value of unfunded obligations		208 915	223 929
Liability in the statement of financial position		208 915	223 929
<i>(ii) The liability can be reconciled as follows:</i>			
Balance at beginning of year		223 929	221 019
Total expense accrued		24 559	23 891
Remeasurements:			
Actuarial gains arising from changes in financial assumptions		(21 725)	(8 221)
Actuarial gains arising from experience adjustments		(5 413)	(1 724)
Benefit payments		(12 435)	(11 036)
Balance at end of year		208 915	223 929
<i>(iii) Amounts recognised in the income statement are as follows:</i>			
Interest costs		22 053	21 239
Current service costs		2 506	2 652
		24 559	23 891

	2018 R'000	2017 R'000
(iv) <i>Amounts recognised in other comprehensive income are as follows:</i>		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	(21 725)	(8 221)
Actuarial gains arising from experience adjustments	(5 413)	(1 724)
	(27 138)	(9 945)

(iv) *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.

Principal actuarial assumptions at the end of the reporting period are as follows:

	2018 R'000	2017 R'000
Principal financial assumptions:		
Discount rate (%)	10.50	10.00
Future company subsidy rate – in service (%)	6.30	8.15
Future company medical subsidy increase – pensioners (%)	8.05	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	3 171	3 537
1% increase in future company subsidy rate – effect on the obligation	25 637	29 647
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs	(2 660)	(2 936)
1% decrease in future company subsidy rate – effect on the obligation	(21 633)	(24 767)
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	(744)	(912)
1% increase in discount rate – effect on the obligation	(20 985)	(24 211)
1% decrease in discount rate – effect on current service cost	812	1 006
1% decrease in discount rate – effect on the obligation	25 221	29 432

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

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.2 RETIREMENT BENEFITS CONTINUED

(d) Post-retirement medical aid benefits continued

The average duration of the benefit obligation at 31 December 2018 is 12.2 years (2017: 13.1 years). This number is analysed as follows:

- active members 17.8 years (2017: 19.2 years)
- retired members 8.9 years (2017: 9.7 years)

	2018 R'000	2017 R'000
Estimated benefits payable by the group in the next financial year	12 181	11 827

(e) Retirement gratuities

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

	2018 R'000	2017 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	42 823	42 838
Liability in the statement of financial position	42 823	42 838
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	42 838	37 860
Total expense accrued	7 068	6 161
Remeasurements:		
– Actuarial gains arising from changes in financial assumptions	(3 813)	(1 370)
– Actuarial (gains)/losses arising from experience adjustments	(2 444)	2 493
Gratuity payments	(826)	(2 306)
Balance at end of year	42 823	42 838
(iii) Amounts recognised in the income statement are as follows:		
Interest costs	4 495	3 848
Service costs	2 573	2 313
	7 068	6 161
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	(3 813)	(1 370)
Actuarial (gains)/losses arising from experience adjustments	(2 444)	2 493
	(6 257)	1 123

(v) 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:

		2018 R'000	2017 R'000
Principal financial assumptions:			
Discount rate	(%)	10.50	10.00
Future salary inflation rate	(%)	6.30	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		832	904
1% increase in future salary inflation rate – effect on the obligation		4 309	4 870
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs		(722)	(778)
1% decrease in future salary inflation rate – effect on the obligation		(3 789)	(4 241)

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

The average duration of the benefit obligation at 31 December 2018 is 10.2 years (2017: 11.5 years).

Estimated retirement gratuities, payable by the group during the next financial year are R1,855,000 (2017: R933,000)

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST

8.3.1 DIRECTORS' REMUNERATION

(i) Directors' and prescribed officer's remuneration during the 2018 financial year:

Director	Retainer fees		Attendance fees	Cash package	Bonus and performance related payments		Medical aid contributions	Retirement fund contributions		Subtotal	Value of options granted		Total	Gains on exercise of share options
	Rand	Rand	Rand	Rand	note 1	Rand	Rand	Rand	Rand	Rand	note 2	Rand	Rand	Rand
Non-executive														
ME Mkwanazi (Note 3)	198 380		108 520							306 900			306 900	
TP Leeuw (Note 3)	488 378		195 590							683 968			683 968	
VN Khumalo (Note 4)	262 615		144 160							406 775			406 775	
NNA Matyumza	329 983		110 280							440 263			440 263	
SP Ngwenya	205 022		74 240							279 262			279 262	
PH Staude	262 615		89 990							352 605			352 605	
GHM Watson	588 799		248 692							837 492			837 492	
N Maharajh	297 972		101 370							399 342			399 342	
CA Boles	250 437		118 840							369 277			369 277	
B Mehlohlakulu	209 387		88 080							297 467			297 467	
RL Larson	442 126		189 827							631 953			631 953	
AT Nzimande (Note 5)	100 215		25 780							125 995			125 995	
	3 635 930	1 495 369		–	–	–	–	–	–	5 131 300	–	–	5 131 300	–
Executive														
RG Jacob				4 821 624	1 269 239		137 630	601 878		6 830 371	1 516 156		8 346 527	731 021
AP Krull				3 557 424	933 026		138 331	443 853		5 072 634	963 539		6 036 173	
MZ Mkhize				3 310 776	1 037 249		230 337	413 022		4 991 384	777 123		5 718 507	267 509
	–	–	–	11 689 824	3 239 514	506 298	1 458 753	16 894 389		3 206 818	20 101 207		998 530	
Prescribed officer														
DR Weisz (Note 7)				2 771 232	395 764		127 512	345 579		3 640 087	1 150 252		4 790 339	227 100
HT Molale (Note 6)				2 787 144	375 421		189 757	347 568		3 699 890	564 888		4 264 778	227 094
	–	–	–	5 558 376	771 185	317 269	693 147	7 339 977		1 715 140	9 055 117		454 194	
	3 635 930	1 495 369		17 248 200	4 010 699	823 568	2 151 900	29 365 666		4 921 958	34 287 624		1 452 724	

Note 1 The bonus payments reflected above are in relation to the 2018 year, paid in 2019.

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 ME Mkwanazi resigned Board with effect from 26 April 2018. TP Leeuw was appointed chairman from this date.

Note 4 Directors' fees due to a shareholder nominee on the Hulamini Board are paid to the employer organisation and not to the nominee.

Note 5 AT Nzimande was appointed with effect from 26 April 2018

Note 6 HT Molale served as managing director of Hulamini Extrusions from 28 February 2018 (2 months).

Note 7 DR Weisz served as managing director of Hulamini Extrusions from 1 March 2018 (10 months).

Executive Committee members' remuneration (excluding acting executive committee members) during the 2018 financial year (Note 1)

	Cash package Rand	Bonus and performance related payments note 2 Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	19 910 146	4 426 008	859 185	2 103 554	27 298 893	32 493 893	871 900

Note 1 Excluding executive directors and prescribed officer.

Note 2 The bonus payments reflected above are in relation to the 2018 year, paid in 2019.

(ii) 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 Mkwana	574 876	374 138	–	–	–	–	949 014	–	949 014	–
LC Cele (Note 3)	108 144	45 834	–	–	–	–	153 978	–	153 978	–
VN Khumalo	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 Mehloakulu	152 117	65 920	–	–	–	–	218 037	–	218 037	–
RL 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	–

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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
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	463 879	1 367 915	16 959 969	3 202 214	20 162 183	2 207 573
Prescribed officer										
H T 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	641 287	1 695 798	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 LC Cele resigned from the Board with effect from 30 April 2017

Note 3 Directors' fees due to a shareholder nominee on the Hulam 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 attendance fee for one meeting.

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

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

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

(i) *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 granted in 2017	Number of rights at Dec 2017	Number of rights exercised in 2018	Number of rights lapsed in 2018	Number of rights at Dec 2018	Rights time constrained
Executive director											
RG Jacob	–	–	633 100	396 925	744 440	604 005	2 378 470	–	396 925	1 981 545	1 348 445
AP Krull		–	–	–	–	327 554	327 554	–	–	327 554	327 554
MZ Mkhize	261 503	241 172	201 780	138 555	313 573	304 817	1 461 400	–	138 555	1 322 845	618 390
	261 503	241 172	834 880	535 480	1 058 013	1 236 376	4 167 424	–	535 480	3 631 944	2 294 389
Prescribed officer											
DR Weisz	–	–	170 607	117 620	265 944	258 032	812 203	–	117 620	694 583	523 976
HT Molale	–	–	150 157	117 625	265 954	258 285	792 021	–	117 625	674 396	524 239
	–	–	320 764	235 245	531 898	516 317	1 604 224	–	235 245	1 368 979	1 048 215
Grant Price	R6,91	R4,01	R6,90	R8,20	R6,3						
Grant Date	25 May '11	27 May '13	24 April '14	23 April '15	22 April '16						

(ii) *Hulamin Limited Long Term Incentive Plan 2007 – With Performance Conditions*

	Number of rights granted in 2015	Number of rights at Dec 2017	Number of rights exercised in 2018	Number of rights lapsed in 2018	Number of rights at Dec 2018	Rights time constrained	Number of rights at Dec 2018	Rights time constrained
Executive director								
RG Jacob	146 625	146 625	146 625	–	–	–	–	–
MZ Mkhize	61 030	61 030	61 030	–	–	–	–	–
	207 655	207 655	207 655	–	–	–	–	–
Prescribed officer								
DR Weisz	51 809	51 809	51 809	–	–	–	–	–
HT Molale	51 811	51 811	51 811	–	–	–	–	–
	103 620	103 620	103 620	–	–	–	–	–
Grant price	R8,20							
Grant date	23 April '15							

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

(iii) Hulam Limited Long Term Incentive Plan 2007 – Without Performance Conditions

	Number of conditional awards granted in 2015	Number of conditional awards granted in 2016	Number of rights at Dec 2017	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive director							
RG Jacob	48 875	–	48 875	48 875	–	–	–
AP Krull	–	145 370	145 370		–	145 370	145 370
MZ Mkhize	20 343	–	20 343	20 343	–	–	–
	69 218	145 370	214 588	69 218	–	145 370	145 370
Prescribed officer							
DR Weisz	17 270	–	17 270	17 270	–		
HT Molale	17 270	–	17 270	17 270	–	–	–
	34 540	–	34 540	34 540	–	–	–
Grant price	R8.20	R5.75					
Grant Date	23 April '15	1 May '16					

(iv) Employee Conditional Share Plan (bonus shares)

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	117 649	–	–	117 649	117 649
AP Krull	78 538	–	–	78 538	78 538
MZ Mkhize	57 682	–	–	57 682	57 682
	253 869	–	–	253 869	253 869
Prescribed officer					
DR Weisz	39 259	–	–	39 259	39 259
HT Molale	52 006	–	–	52 006	52 006
	91 265	–	–	91 265	91 265
Grant price		R6.22			
Grant date		26 July '18			

(v) *Employee Conditional Share Plan (performance)*

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	321 279	–	–	321 279	321 279
AP Krull	199 660	–	–	199 660	199 660
MZ Mkhize	152 571	–	–	152 571	152 571
	673 510	–	–	673 510	673 510
Prescribed officer					
DR Weisz	125 183	–	–	125 183	125 183
HT Molale	128 275	–	–	128 275	128 275
	253 458	–	–	253 458	253 458
Grant price	R6.22				
Grant Date	26 July '18				

(vi) *Employee Conditional Share Plan (retention)*

	Number of conditional awards granted in 2018	Number of conditional awards exercised in 2018	Number of conditional awards lapsed in 2018	Number of conditional awards at Dec 2018	Conditional awards time constrained
Executive directors					
RG Jacob	–	–	–	–	–
AP Krull	–	–	–	–	–
MZ Mkhize	–	–	–	–	–
	–	–	–	–	–
Prescribed officer					
HT Molale	133 620	–	–	133 620	133 620
	133 620	–	–	133 620	133 620
Grant price	R6.22				
Grant date	26 July '18				

(vii) *Hulamin Limited Deferred Bonus Plan 2007*

	Number of conditional awards granted in 2015	Number of rights at Dec 2017	Number of conditional awards at Dec 2018	Conditional awards time constrained	Conditional awards time constrained
Executive director					
RG Jacob	17 319	17 319	–	–	–
	17 319	17 319	–	–	–
Grant price	R6.84				
Grant date	8 May '15				

Notes to the group financial statements continued

for the year ended 31 December 2018

8. BENEFITS AND REMUNERATION: OUR INVESTMENT IN OUR PEOPLE CONTINUED

8.3 DIRECTORS' REMUNERATION AND INTEREST CONTINUED

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

The aggregate holdings as at 31 December 2018 of those directors of the company holding issued ordinary shares of the company are detailed below:

As at 31 December 2018	Direct beneficial shares	Indirect beneficial shares	Held by associates	Shares total
Executive				
RG Jacob	903 432	–	–	903 432
MZ Mkhize	84 554	–	–	84 554
	987 986	–	–	987 986
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	1 167 359	–	–	1 167 359

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

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

9.1 NET FINANCE COSTS

	2018 R'000	2017 R'000
Interest expense	77 588	80 704
Non-current borrowings interest	14 178	19 737
Current borrowings interest	70 200	82 455
Interest capitalised	(6 790)	(21 488)
Interest income	(3 887)	(3 079)
Net finance costs	73 701	77 625

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.

	2018 R'000	2017 R'000
(a) Deferred tax asset		
At beginning of year	21 152	25 463
Tax (charged)/credited directly to equity	(57)	199
Statement of profit or loss:		
Current year charge	(4 721)	(924)
Prior year credit/(charge)	1 536	(2 862)
Deferred tax charge in other comprehensive income	(851)	(724)
At end of year	17 060	21 152
Comprising:		
Fixed assets	–	(9 973)
Retirement benefit obligations and other provisions	17 053	30 840
Other	7	285
	17 060	21 152
Deferred tax asset to be recovered after more than 12 months	17 053	16 981
Deferred tax asset to be recovered within 12 months	7	4 171
	17 060	21 152

The group has not recognised a deferred tax asset of R34.8 million relating to deductible temporary differences and unused tax losses as the profitability of recovery is uncertain,

	2018 R'000	2017 R'000
(b) Deferred tax liability		
At beginning of year	578 568	516 533
Tax charged directly to equity	2 099	3 408
Statement of profit or loss:		
Current year (credit)/charge	(344 311)	35 885
Prior year (credit)/charge	(3 940)	11 017
Deferred tax (credit)/charge in other comprehensive income	(11 356)	11 725
At end of year	221 060	578 568
Comprising:		
Accelerated tax depreciation	272 915	640 158
Provisions and leave pay accruals	(95 580)	(89 984)
Defined benefit fund	37 481	35 575
Share schemes	(6 504)	(11 952)
Hedging reserve	(2 443)	(6 587)
Derivative instruments – not designated as hedging instruments	15 191	11 071
	221 060	578 568
Deferred tax liability to be settled after more than 12 months	(152 427)	570 720
Deferred tax liability to be settled within 12 months	373 487	7 848
	221 060	578 568

Notes to the group financial statements continued

for the year ended 31 December 2018

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

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.

		2018 R'000	2017 R'000
South African normal taxation:			
Current			
Current year charge		88 667	84 223
Prior year under/(over) provision		6 201	(17 874)
Deferred			
Current year (credit)/charge		(339 590)	36 809
Prior year (over)/under provision		(5 476)	13 879
		(250 197)	117 038
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:			
Allowances not included in the statement of profit and loss	(%)	0.3	–
Prior year over provision	(%)	(0.2)	(0.9)
Change in capital gains tax inclusion rate	(%)	–	0.2
Expenses not deductible for tax purposes	(%)	(0.6)	0.9
Income not taxable for tax purposes	(%)	(0.3)	(0.4)
Prior year deferred tax asset reversed	(%)	(2.0)	–
Deferred tax asset not recognised	(%)	(0.8)	–
Effective rate of taxation	(%)	24.4	27.8

9.4 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 statement of profit or loss 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.

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that asset is (or those assets are) not explicitly specified in an arrangement.

	2018 R'000	2017 R'000
Operating lease commitments, amounts due:		
Not later than one year	19 275	19 379
Later than one year and not later than five years	37 821	34 194
	57 096	53 573
In respect of:		
Property	6 870	5 391
Plant and machinery	50 226	48 182
	57 096	53 573

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

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

9.5 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:

	2018 R'000	2017 R'000
Loan from pension fund (refer note 3.2)	79 635	72 736
Interest paid to pension fund	6 899	7 111

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.

9.6 FAIR VALUE MEASUREMENT

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

On 1 January 2018 (the date of initial application of IFRS 9, 'Financial Instruments', the group's management assessed which business models apply to the financial assets held by the group and has classified its financial instruments into the appropriate IFRS 9 categories. The assessment did not identify changes in the categories of financial assets which largely comprise trade receivables and derivative instruments.

The group holds the following financial instruments:

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Derivatives applied under hedge accounting	Total
2018					
Financial assets					
Trade and other receivables	4.3	1 530 279	–	–	1 530 279
Derivative financial assets	7	–	69 208	2 073	71 281
Cash and cash equivalents	4.1	525 981	–	–	525 981
		2 056 260	69 208	2 073	2 127 541
Financial liabilities					
Trade and other payables	4.4	1 380 209	–	–	1 380 209
Borrowings	3.1, 3.2	819 783	–	–	819 783
Derivative financial instruments	7	–	21 383	12 628	34 011
		2 199 992	21 383	12 628	2 234 002

Notes to the group financial statements continued

for the year ended 31 December 2018

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.6 FAIR VALUE MEASUREMENT CONTINUED

	Notes	Financial instruments at amortised cost	Financial instruments at fair value through profit or loss	Derivatives applied under hedge accounting	Total
2017					
Financial assets					
Trade and other receivables*	4.3	1 237 096	–	–	1 237 096
Derivative financial assets*	7	–	78 945	64 822	143 767
Cash and cash equivalents	4.1	111 472	–	–	111 472
		1 348 568	78 945	64 822	1 492 335
Financial liabilities					
Trade and other payables*	4.4	1 258 100	–	–	1 258 100
Borrowings	3.1,3.2	428 699	–	–	428 699
Derivative financial instruments	7	–	43 267	–	43 267
		1 686 799	43 267	–	1 730 066

The group's exposure to various risks associated with the financial instruments is discussed in note 7. The associated inputs to the fair value calculation, where applicable, is provided in note 7. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

* See note 9.7 for details about restatements resulting from the correction of prior period error.

9.7 RESTATEMENT OF FINANCIAL STATEMENTS

During the current financial year management revisited the methodology applied in calculating the hedge effectiveness of derivative instruments designated as hedging items. The reassessment of the methodology used to determine prospective hedge effectiveness has resulted in management identifying that the expectation of prospective effectiveness of commodity hedges did not exist and therefore the requirements to hedge account commodity derivative instruments were not satisfied.

Economically, the commodity hedging strategy is effective as it converts the metal purchase price to the price received on sale of the metal. In order to apply hedge account as envisaged in IAS 39, "Financial Instruments", the group has historically designated the sale, and not the purchase of the inventory, as the hedged item. As the accounting standard does not allow the components of the hedged item to be hedged individually the group is required to consider the movement in the full invoice price from the time of the forecast sale (at the point the metal is purchased) to the completion of the sale and compare this to the underlying hedging instrument (which only relates to the commodity portion of the sale). On reassessment of the methodology applied to determine prospective effectiveness management considered the historic movements in the other components of the invoice price (rolling margins, geographic premiums and transport costs) and found that historically volatility in these other components caused ineffectiveness in individual hedges.

Impact on the financial statements

The error has been corrected by restating each of the affected financial statement line items for the prior period, as follows:

	31 Dec 2017 as originally presented R'000	Increase/ (decrease) R'000	31 Dec 2017 restated R'000
Statement of financial position (extract)			
Hedge Reserve	11 530	28 469	39 999
Retained earnings	2 696 590	(28 469)	2 668 121
Statement of profit or loss (extract)			
Revenue	10 159 698	141 236	10 300 934
Other gains and losses	92 326	(180 776)	(88 450)
Income tax expense	(128 109)	11 071	(117 038)
Net profit for the year attributable to equity holders of the company	332 232	(28 469)	303 763
Statement of comprehensive income (extract)			
Items that may be reclassified subsequently to profit or loss:	(3 976)	28 469	24 493
Cash flow hedges transferred to income statement	(21 536)	45 501	23 965
Cash flow hedges created	16 014	(5 961)	10 053
Income tax effect	1 546	(11 071)	(9 525)

Basic and diluted earnings per share for the prior year have also been restated. The amount for the correction of both basic and diluted number of share was a decrease 9 cents and 8 cents respectively. The correction further affected the disclosures presented in notes 2.1, 2.3, 7 and 9.2.

The amounts disclosed above for the 2017 reporting period, and for the statement of financial position as at 31 December 2017 are before restatements for change in accounting policy disclosed in note 9.8.

9.8 CHANGE IN ACCOUNTING POLICY

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note (b) below, IFRS 9 was generally adopted without restating comparative information in accordance with the transitional provisions. A retrospective adjustment is made in opening retained earnings on 1 January 2018. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the restated statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. The line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below.

Notes to the group financial statements continued

for the year ended 31 December 2018

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(a) Impact on the financial statements continued

	31 Dec 2017 after correction of error R'000	IFRS 15 adjustment R'000	31 Dec 2017 Restated R'000	IFRS 9 adjustment R'000	1 January 2018 R'000
Statement of financial position (extract)					
ASSETS					
Non-current assets					
Deferred tax asset	21 152	–	21 152	57	21 209
Total non-current assets	3 536 943	–	3 536 943	57	3 537 000
Current assets					
Trade and other receivables	1 241 963	(4 867)	1 237 096	147	1 237 243
Total current assets	3 686 594	(4 867)	3 681 727	147	3 681 874
TOTAL ASSETS	7 230 066	(4 867)	7 225 199	147	7 225 346
EQUITY					
Retained earnings	2 668 121	–	2 668 121	147	2 668 268
Total equity	4 648 677	–	4 648 677	147	4 648 824
LIABILITIES					
Current liabilities					
Trade and other payables	1 262 967	(4 867)	1 258 100	–	1 258 100
Total current liabilities	1 628 054	(4 867)	1 623 187	–	1 623 187
Total liabilities	2 581 389	(4 867)	2 576 522	–	2 576 522
TOTAL EQUITY AND LIABILITIES	7 230 066	(4 867)	7 225 199	147	7 225 346

	Audited results as previously presented R'000	IFRS 15 adjustments R'000	Restated December 2017 R'000
Statement of profit or loss and other comprehensive income (extract)			
12 months to 31 December 2017			
Revenue from contracts with customers	10 300 934	2 597	10 303 531
Cost of sales of goods	(9 115 128)	–	(9 115 128)
Cost of providing services	–	(56 432)	(56 432)
Gross profit	1 185 806	(53 835)	1 131 971
Selling, marketing and distribution expenses	(450 277)	53 835	(396 442)
Net profit	303 763	–	303 763

(b) IFRS 9 Financial Instruments – Impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note (c) below. In accordance with the transitional provisions in IFRS 9(7.2.15) comparative figures have not been restated.

Management has elected to defer the implementation of the hedging component of IFRS 9 Financial 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.

The total impact on the group's retained earnings as at 1 January 2018 is as follows:

	R'000
Restated retained earnings 31 December 2017 – IAS 39	2 668 121
Decrease in provision for trade receivables – net of tax	147
Opening retained earnings 1 January – IFRS 9 (before restatement for IFRS 15)	2 668 268

(i) Impairment of financial assets

The group has trade receivables for sales of inventory and from the provision of transport services that is subject to IFRS 9's new expected credit loss model. The group was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the group's retained earnings is disclosed in the table in note (b) above.

While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance method for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group also covers all trade receivables through the Credit Guarantee Insurance Company (CGIC) and cover subject to an excess and first loss aggregate. The CGIC cover is taken out at the inception of the sale and is integral to the enactment of the sale. Therefore the CGIC cover is included in the calculation of the loss allowance.

	Current	30 days	60 days	90 days	120 days	More than 120 days	Total
1 January 2018	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Export debtors							
Expected loss rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross carrying amount	462 368	147 441	61 613	39 283	12 716	7 533	730 954
Loss allowance	–	–	–	–	–	–	–
Local debtors							
Expected loss rate	0.0%	0.4%	4.0%	7.0%	2.9%	21.7%	0.3%
Gross carrying amount	351 006	62 017	12 448	2 235	5 736	858	434 300
Loss allowance	24	273	500	156	164	186	1 303

Notes to the group financial statements continued

for the year ended 31 December 2018

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(b) IFRS 9 *Financial Instruments* – Impact of adoption continued

The loss allowances for trade receivables as at 31 December 2017 reconcile to the opening loss allowances on 1 January 2018 as follows:

	Allowance on trade receivables R'000
At 31 December 2017 – calculated under IAS 39	1 507
Amounts restated through opening retained earnings	(204)
Opening loss allowance as at 1 January 2018 – calculated under IFRS 9	1 303

The loss allowance increased by a further R4.0 million to R5.2 million during the 12-months to 31 December 2018. The increase would have been R3.7 million lower had the incurred loss model of IAS 39 been applied.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, among others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period of greater than 120 days past due.

(c) IFRS 9 *Financial Instruments* – Accounting policies applied from 1 January 2018

(i) Classification

On the date of initial application, 1 January 2018, the financial instruments of the group were as follows, with any reclassifications noted.

	Measurement category		Carrying amount		
	Original (IAS 39)	New (IFRS 9)	Original (adjusted for IFRS 15) R'000	New R'000	Difference* R'000
Current financial assets					
Trade receivables	Amortised cost	Amortised cost	1 053 432	1 053 579	147
Other receivables	Amortised cost	Amortised cost	26 036	26 036	–
Cash and cash equivalents	Amortised cost	Amortised cost	111 472	111 472	–
Derivatives	Held for trading	FVPL	143 767	143 767	–
Non-current liabilities					
Borrowings	Amortised cost	Amortised cost	108 000	108 000	–
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	921 663	921 663	–
Other payables	Amortised cost	Amortised cost	207 394	207 394	–
Borrowings	Amortised cost	Amortised cost	320 699	320 699	–
Derivatives	Held for trading	FVPL	43 267	43 267	–

* The difference noted in this column is the result of applying the expected credit loss model introduced by the accounting standard, IFRS 9, "Financial Instruments".

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (derivative instruments not designated in a hedging relationship),
- Those to be measured at amortised cost (trade and other receivables, cash and cash equivalents, trade and other payables and borrowings); and
- Those instruments used for the purposes of hedging (derivative instruments designated in a hedging relationship).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss. The group reclassifies debt investments when and only when its business model for managing assets changes.

(ii) Measurement

With the exception of trade receivables that do not contain a significant financing component for which the group has applied the practical expedient, the group initially measures a financial asset as its fair value, plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

(iii) Impairment

From 1 January 2018, the group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(d) IFRS 15 Revenue from contracts with customers – Impact of adoption

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. The adoption of IFRS 15 Revenue from contracts with customers requires the group to identify individual performance obligations. The group has determined that for certain export sales terms the group has two performance obligations, the sale of goods and the provision of transportation services. The group does not charge a margin on transportation services and therefore no impact on previously reported earnings before interest and tax is noted. In summary, the following adjustments were made to the amounts recognised in the statement of financial position at the date of initial application (1 January 2018):

	IAS 18 reported value after correction of error R'000	Reclassification adjustment R'000	Recognition of service revenue previously included at 31 December 2016 R'000	Cut-off adjustment for transport still in progress at 31 December 2017 R'000	IFRS 15 carrying amount as at 31 December 2017 R'000
Statement of profit or loss and other comprehensive income (extract) 12 months to 31 December 2017					
Revenue from contracts with customers	10 300 934	–	7 464	(4 867)	10 303 531
Cost of sales of goods	(9 115 128)	–	–	–	(9 115 128)
Cost of providing services		(53 835)	(7 464)	4 867	(56 432)
Gross profit	1 185 806	(53 835)	–	–	1 131 971
Selling, marketing and distribution expenses	(450 277)	53 835			(396 442)
Net profit	303 763	–	–	–	303 763

Notes to the group financial statements continued

for the year ended 31 December 2018

9. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

9.8 CHANGE IN ACCOUNTING POLICY CONTINUED

(e) IFRS 15 *Revenue from Contracts with Customers* – Accounting policies

(i) *Sale of goods*

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

Sales are recognised when control of the products has transferred to the buyer. The delivery of products and the transfer of risks are determined by the terms of sale, and specifically by the International Chamber of Commerce Terms of Trade, where applicable.

Products are often sold with retrospective volume discounts, rebates and early-settlement terms. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts, rebates and early settlement discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is probable that a significant reversal will not occur. A refund liability (included in trade and other payables) is recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present as the sales are not made on extended credit terms.

A receivable is recognised when control passes as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ii) *Transportation services*

Certain International Chamber of Commerce Terms of Trade used include multiple deliverables such as the sale of goods and the provision of transportation services. For some of these specific terms control of the goods sold passes before the transportation service has been provided. The revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total service to be provided, because the customer receives and uses the benefit simultaneously. This is determined based on the actual shipping days incurred relative to the standard time to ship to the specified destination. Where revenue is earned on multiple performance obligations the transaction price is allocated to each performance obligation based on the stand-alone selling prices.

(iii) *Time value of money*

The group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group has applied the practical expedient provided in IFRS 15.63 and does not adjust any of the transaction prices for the time value of money.

Company statement of financial position

as at 31 December 2018

	Notes	2018 R'000	2017 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries	5.1	3 385 256	3 338 248
Deferred tax asset	7.1	17 060	18 703
		3 402 316	3 356 951
Current assets			
Trade and other receivables	4.1	–	28 413
Income tax asset		–	1 689
		–	30 102
Total assets		3 402 316	3 387 053
EQUITY			
Stated capital	3.1	1 877 597	1 877 597
BEE reserve		20 000	20 000
Employee share-based payment reserve		57 914	71 176
Retained earnings		1 384 917	1 351 261
Total equity		3 340 428	3 320 034
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid provision	6.1	60 902	66 796
		60 902	66 796
Current liabilities			
Trade and other payables		784	223
Income tax liability		201	–
		985	223
Total liabilities		61 888	67 019
Total equity and liabilities		3 402 316	3 387 053

Company statement of profit or loss

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
Revenue from contracts with customer	2.1.1	8 779	7 692
Interest income	2.1.2	113 650	112 424
Administrative expenses	2.2	(13 732)	(14 469)
Operating profit		108 697	105 647
Taxation	7.2	(30 434)	(30 483)
Net profit for the year attributable to equity holders of the company		78 263	75 164

Company statement of comprehensive income

for the year ended 31 December 2018

	2018 R'000	2017 R'000
Net profit for the year attributable to equity holders of the company	78 263	75 164
Other comprehensive income for the year		
Items that will not be reclassified to profit or loss	3 895	2 174
Remeasurement of post retirement medical obligation	5 411	3 020
Income tax effect	(1 516)	(846)
Total comprehensive income for the year attributable to equity holders of the company	82 158	77 338

Company statement of changes in equity

for the year ended 31 December 2018

	Stated capital R'000	Employee share-based payment reserve R'000	BEE reserve R'000	Retained earnings R'000	Total equity R'000
Balance at 31 December 2016	1 877 597	55 852	20 000	1 322 424	3 275 873
Net profit for the year	–	–	–	75 164	75 164
Other total comprehensive income for the year after tax	–	–	–	2 174	2 174
Value of employee services of subsidiaries - net of forfeiture	–	32 966	–	–	32 966
Settlement of employee share incentives	–	(17 642)	–	–	(17 642)
Dividends paid	–	–	–	(48 501)	(48 501)
Balance at 31 December 2017	1 877 597	71 176	20 000	1 351 261	3 320 034
Net profit for the year	–	–	–	78 263	78 263
Other total comprehensive income for the year after tax	–	–	–	3 895	3 895
Value of employee services of subsidiaries - net of forfeiture	–	(4 031)	–	–	(4 031)
Settlement of employee share incentives	–	(9 231)	–	–	(9 231)
Dividends paid	–	–	–	(48 502)	(48 502)
Balance at 31 December 2018	1 877 597	57 914	20 000	1 384 917	3 340 428

Company statement of cash flow

for the year ended 31 December 2018

	Notes	2018 R'000	2017 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	138 732	144 801
Net income tax paid		(28 418)	(29 391)
Post retirement medical aid benefits paid (note 6.1)		(5 574)	(5 461)
Net cash inflow from operating activities		104 741	109 949
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries		(47 008)	(43 806)
Net cash outflow from investing activities		(47 008)	(43 806)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of employee share incentives		(9 231)	(17 642)
Dividends paid		(48 502)	(48 501)
Net cash outflow from financing activities		(57 733)	(66 143)
Net increase in cash and cash equivalents		–	–
Cash and cash equivalents at beginning of year		–	–
Cash and cash equivalents at end of year		–	–
A: CASH GENERATED BEFORE WORKING CAPITAL CHANGES			
Operating profit		108 697	105 647
Adjusted for:			
Post retirement medical aid accrued expense (note 6.1)		5 091	5 766
Value of employee services of subsidiaries – net of forfeiture		(4 031)	32 966
Cash generated before working capital changes		109 757	144 379
Changes in working capital	B	28 975	422
Cash generated from operations		138 732	144 801
B: CHANGES IN WORKING CAPITAL			
Decrease in trade and other receivables		28 413	268
Increase in trade and other payables		562	154
		28 975	422

Notes to the company financial statements

for the year ended 31 December 2018

1. GENERAL

1.1 BASIS OF PREPARATION

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

The basis of preparation is consistent with the prior year, except for new and revised standards and interpretations adopted per note 1.2 to the group financial statements. All of which had no material impact on the company's reported results or financial position.

The company financial statements are prepared using the historical cost basis except as set out in the accounting policies which follow (see the accounting policy relating to share based payments).

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

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

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

Changes in accounting estimates resulting from new information or new developments are recognised in the statement of profit or loss 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

New and revised standards and interpretations have been highlighted in note 1.2 to the Group financial statements. These standards and interpretations have had an immaterial impact on the company financial statements. The company has provided further information regarding the expected credit loss model applied in accordance with IFRS 9, "Financial Instruments" as part of note 5.1 of the company financial statements.

1.3 ACCOUNTING FOR ASSETS AND LIABILITIES

Recognition of assets and liabilities

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

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

Derecognition of assets and liabilities

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

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

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

1.4 JUDGEMENTS MADE BY MANAGEMENT

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

(i) Post-employment benefit obligations

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

(ii) Share-based payment transactions

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

2. PERFORMANCE: MEASURES USED TO ASSESS PERFORMANCE

2.1.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue of the company comprises management fees and agency fees earned from related companies within the group.

Revenue is measured at the fair value of the consideration received or receivable.

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

2.1.2 INTEREST INCOME

Interest income comprises interest earned on loan to subsidiary. Interest income is accrued on a time basis using the effective interest rate method. When a loan and receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

2.1 EXPENSES BY NATURE

	2018 R'000	2017 R'000
Post retirement medical aid costs	5 091	5 766
Auditors' remuneration	(103)	154
Other costs	8 744	8 549
	13 732	14 469
Auditors' remuneration		
Audit fees	120	154
Expenses	–	–
Prior year over provision	(223)	–
	(103)	154
Directors' emoluments		
Non-executives fees	5 131	5 772
	5 131	5 772

3. DEBT/EQUITY: MEASURES TO ASSESS GROUP LEVERAGE

3.1 SHARE CAPITAL AND SHARE PREMIUM

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

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 (2017: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2017: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2017: 36 072 000 ordinary shares of no par value)

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.

Notes to the company financial statements continued

for the year ended 31 December 2018

3. DEBT/EQUITY MEASURES TO ASSESS GROUP LEVERAGE CONTINUED

3.1 SHARE CAPITAL AND SHARE PREMIUM CONTINUED

	2018 R'000	2017 R'000
Issued		
Ordinary shares		
Opening balance: 319 596 836 ordinary shares of no par value (2017: 319 596 836 ordinary shares of no par value)	1 817 580	1 817 580
Issued during the year : nil (2017: nil)	–	–
Closing balance: 319 596 836 ordinary shares of no par value (2017: 319 596 836 ordinary shares of no par value)	1 817 580	1 817 580
A ordinary shares		
Opening balance and closing balance: 4 271 600 A1 and 26 755 733 A2 shares of no par value (2017 : 4 271 600 A1 and 26 755 733 A2 shares of no par value)	59 656	59 656
B ordinary shares		
Opening balance and closing balance: 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2017 : 90 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	361	361
Total issued capital	1 877 597	1 877 597

Unissued

Under option to employees:

Details of the employee share incentive schemes including the share options outstanding at the end of the year, the range of exercise prices and the weighted average contractual lives related thereto, are set out in note 8.1 of the group financial statements.

Under the control of the directors:

At 31 December 2018, 6 801 529 unissued ordinary shares (2017: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

3.2 DIVIDENDS PER SHARE

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

	2018 R'000	2017 R'000
Dividends per share declared		
Final dividend: 18 cents on 319 596 836 ordinary shares (2017: 15 cents on 319 596 836 ordinary shares)	57 527	47 940
Final dividend: 18 cents on 4 721 600 A1 ordinary shares (2017: 15 cents on 4 721 600 A1 ordinary shares)	850	708
Total	58 377	48 648

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

4. WORKING CAPITAL: MEASURES USED TO ASSESS LIQUIDITY

4.1 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 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 company 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.

	2018 R'000	2017 R'000
Financial assets		
Trade receivables	–	28 413

5. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES

Subsidiaries are all entities over which the group has control, generally accompanying a shareholding of more than one half of the voting rights.

The company financial statements recognise interests in subsidiaries, which include loans granted to subsidiaries by the company, at cost, except in the case of certain limited group reorganisations where net assets are disposed. In these instances, interests in subsidiaries will be based on the carrying amount of the net assets disposed.

The company has applied the expected credit loss model in considering the loss allowance required at 31 December 2018. The maximum period over which expected loss allowances should be measured is the longest contractual period over which the company is exposed to credit risk. As the loan is repayable on demand, the exposure to credit risk is the period between an assumed demand at the financial year-end and the period it would take the subsidiary to settle the outstanding balance. Hulamin Operations Proprietary Limited has sufficient facilities available at financial year-end to repay the full loan balance on demand. The company is therefore not exposed to credit risk and no loss allowance has been provided for on the outstanding loan balance.

	2018 R'000	2017 R'000
Investment in shares in subsidiaries	2 485 574	2 498 523
Loan to subsidiary	899 682	839 725
	3 385 256	3 338 248

Included in the investment in shares in subsidiaries is an investment in cumulative redeemable preference shares issued by Hulamin Operations Proprietary Limited.

The effective interest rate on the loan to subsidiary for the year was 12,6% variable interest (2017: 13,7%).

No repayment terms have been set, and consequently no portion of the loan is considered past due.

The loan to subsidiary is subordinated in favour of Nedbank as security for group borrowings.

Notes to the company financial statements continued

for the year ended 31 December 2018

5. INVESTMENTS: INVESTMENTS IN SUBSIDIARIES CONTINUED

The company holds the following direct and indirect investments:

Name	Country of incorporation	% Equity interest 2018	% Equity interest 2017	Principle 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 (Pty) Ltd.

Beneficial interest of 100%.

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

6. BENEFITS AND REMUNERATION: OUR INVESTMENT IN EMPLOYEES

6.1 POST-RETIREMENT MEDICAL AID BENEFITS

The company has undertaken to contribute to the medical aid costs after retirement of employees engaged prior to 30 June 1996. The obligation is unfunded.

	2018 R'000	2017 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	60 902	66 796
Liability in the statement of financial position	60 902	66 796
The liability can be reconciled as follows:		
Balance at beginning of year	66 796	69 511
Total expense accrued	5 091	5 766
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	(1 841)	(1 483)
Actuarial gains arising from changes in experience adjustments	(3 570)	(1 537)
Benefit payments	(5 574)	(5 461)
Balance at end of year	60 902	66 796

6. BENEFITS AND REMUNERATION: OUR INVESTMENT IN EMPLOYEES CONTINUED

6.1 POST-RETIREMENT MEDICAL AID BENEFITS CONTINUED

	2018 R'000	2017 R'000
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	5 091	5 766
	5 091	5 766
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	(1 841)	(1 483)
Actuarial gains arising from changes in experience adjustments	(3 570)	(1 573)

Principal risks

Through its PRMA 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:
 - 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:

	2018 R'000	2017 R'000
Principal financial assumptions:		
Discount rate (%)	10.50	10.00
Future company subsidy rate – in service (%)	7.75	8.15
Future company subsidy rate – pensioners (%)	8.05	8.45
Sensitivity of future medical inflation rate		
1% increase in future medical inflation rate		
– effect on the aggregate of the service and interest costs	476	542
1% increase in future medical inflation rate – effect on the obligation	4 531	5 420
1% decrease in future medical inflation rate		
– effect on the aggregate of the service and interest costs	(424)	(479)
1% decrease in future medical inflation rate – effect on the obligation	(4 040)	(4 789)

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

The average duration of the benefit obligation at 31 December 2018 is 7.6 years (2017: 8.3 years).

	2018 R'000	2017 R'000
Estimated benefits payable by the company in the next financial year	6 793	6 660

Notes to the company financial statements continued

for the year ended 31 December 2018

7. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS

7.1 DEFERRED TAX

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

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

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

	2018 R'000	2017 R'000
DEFERRED TAX ASSET		
At beginning of year	18 703	19 953
Deferred tax in the statement of profit or loss:		
Current year charge (note 7.2)	(127)	(85)
Prior year over provision (note 7.2)	–	(319)
Deferred tax credit on other comprehensive items	(1 516)	(846)
At end of year	17 060	18 703
Comprising:		
Post-retirement medical aid provision	17 053	18 703
Other	7	–
	17 060	18 703
Deferred tax asset to be recovered after more than 12 months	17 053	18 703
Deferred tax asset to be recovered within 12 months	7	–
	17 060	18 703

7.2 TAXATION

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

	2018 R'000	2017 R'000
South African normal taxation:		
Current		
Current year	30 510	30 049
Prior year (over)/under provision	(203)	30
Deferred		
Current year (note 7.1)	127	85
Prior year under provision (note 7.1)	–	319
	30 434	30 483
Effective rate of taxation (%)	28	28

7. OTHER: OTHER DETAILED DISCLOSURE REQUIREMENTS CONTINUED

7.3 RELATED PARTY TRANSACTIONS

During the year the company, in the ordinary course of business, entered into the following related party transactions:

	2018 R'000	2017 R'000
Interest received from subsidiary	113 650	112 424
Agency fees received from subsidiary	104	104
Management fees received from subsidiary	8 675	7 588

Transactions with non-executive directors are detailed in the group annual financial statements.

	2018 R'000	2017 R'000
The following balances were outstanding at the end of the reporting period:		
Loan balance owing by subsidiary (note 5.1)	899 682	839 725