HULAMIN

Think future. Think aluminium.

INTEGRATED REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

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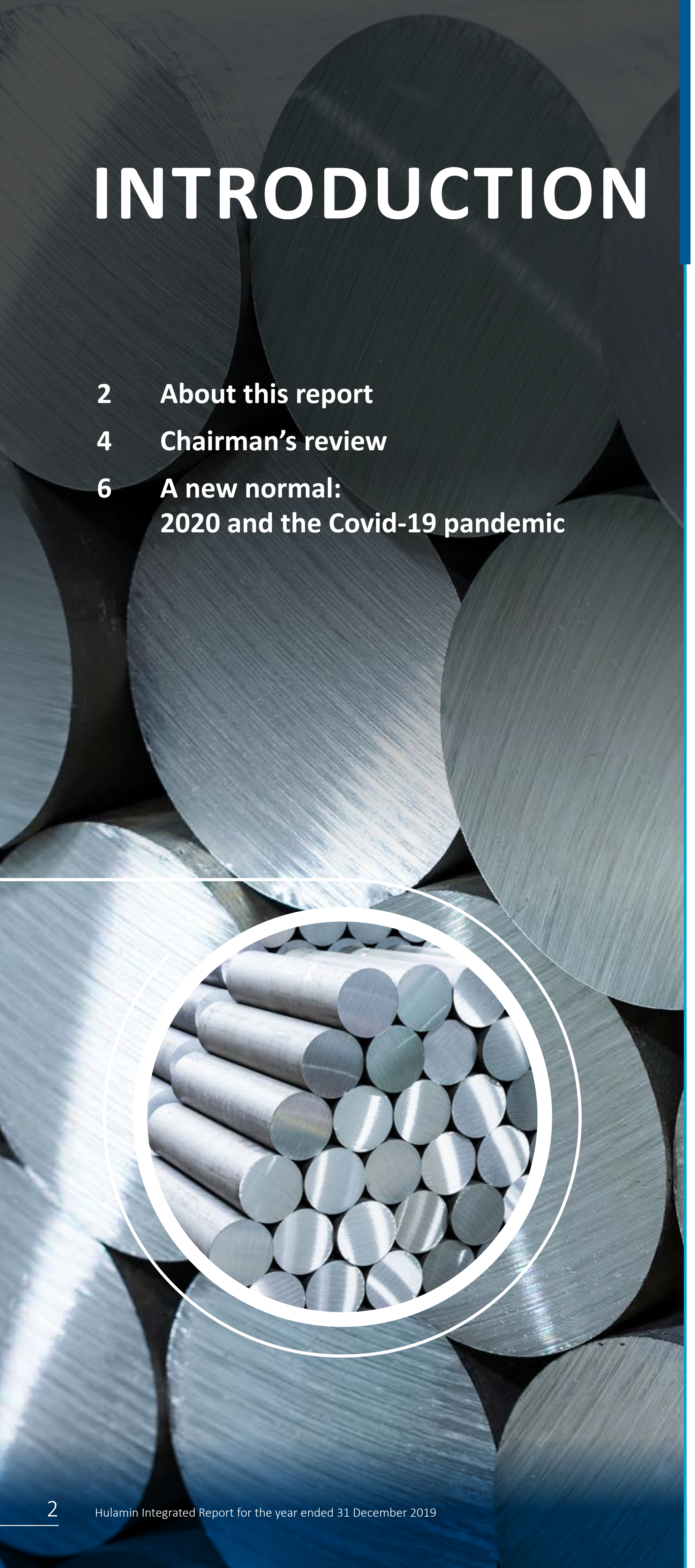


INTRODUCTION

ABOUT THIS REPORT

This integrated annual report provides a concise review of how Hulamin creates sustainable value. It provides insight into Hulamin's business model, changes in the external environment and the risks and opportunities that arise therefrom.

Scope

The scope of this report includes Hulamin Limited, its subsidiaries and operating divisions, listed on page 10. The report covers the period 1 January 2020 to 31 December 2020.

Our audience

Hulamin's long-term providers of capital are the primary audience of Hulamin's integrated report. However, Hulamin's value creation activities benefit and impact a wide range of stakeholders whose interests are specifically covered in this report in line with our shared value creation principle.

The report provides all stakeholders with a greater understanding of the reliance of Hulamin's business model on the relevant capitals. It also sets out the financial and non-financial performance of Hulamin and the impact of Hulamin's operations on the relevant capitals and provides insight into the prospects of the group.

Reporting frameworks

In compiling this integrated annual report, the following frameworks have been considered:

- International Integrated Reporting Framework, December 2013
- King Report on Corporate Governance (King IV)
- JSE Limited Listing Requirements
- Companies Act, No 71 of 2008, as amended, and the Companies Regulations
- International Financial Reporting Standards

Assurance

The Audit Committee provides an oversight role to this integrated annual report. The committee has reviewed the completeness and accuracy of this report and is satisfied that the report is an accurate reflection of the group's integrated performance.

Certain elements of this report have been independently assured. This assurance forms part of a combined assurance approach adopted by Hulamin.

Materiality and comparability

Materiality has been applied to qualitative and quantitative disclosures and content of this report. An item is considered material if it could influence the decisions of the group and its stakeholders.

There have been no significant changes to the content and scope of this report from prior years. In attempts to enhance the comparability of information, certain comparative figures may have been restated and these have been noted as such.

Forward-looking information

The report contains some forward-looking information regarding the financial and non-financial performance and position of Hulamin. Hulamin believes this forward-looking information to be realistic at the time of the issue of the report. These statements include uncertainties, assumptions and risks about future events and circumstances, which may result in actual results differing from those anticipated. Forward-looking information has not been reviewed or reported on by the external auditors.

Board approval

The Board acknowledges its responsibility for ensuring the integrity of the integrated annual report and to the best of its knowledge and belief the integrated annual report addresses all material issues and presents fairly the integrated performance of Hulamin and its impacts. The report has been prepared in line with best practice and the Board confirms that it has approved the release of the 2020 integrated annual report.

Feedback from stakeholders

Hulamin is committed to building stronger stakeholder relationships, which are enhanced through various communications. Stakeholders are encouraged to provide feedback on this integrated annual report and the type of information you would like to see in future reports to Ayanda.Mngadi@hulamin.co.za, which will enable the group to gauge the accuracy and standard of its integrated reporting.

Our 2020 reports

Content and assurance providers

Annual financial statements: Ernst & Young Inc.

Review of internal controls: PricewaterhouseCoopers Advisory Services Proprietary Limited and Ngubane & Co.

BEE contributor level: Empowerdex

Sustainability report (selected information): KPMG Services Proprietary Limited www.hulamin.com/sites/default/files/downloads/2020%20Hulamin_Sustainability_Report.pdf

CHAIRMAN'S REVIEW

Hulamin started 2020 recovering from a difficult year. Sales into the USA were disrupted in 2019, resulting in a major drop in Rolled Products invoicing. As a heavily fixed cost business, the resultant lower turnover resulted in a measurable fall in group profitability. Deteriorating global outlook and market conditions coupled with a relatively strong Rand contributed to the reassessment of the carrying value of assets, resulting in an impairment charge and consequently a substantial net loss.

Over-stocking in USA flat rolled products (FRPs) markets in 2019 negatively impacted demand for both our heat-treated plate and common alloy products. Our long-term distribution partner into the USA was consequently sales and working capital constrained. In the past, they may have temporarily buffered Hulamin from this slowdown. However, they were unable to fulfil this role in 2019. Therefore, from being in a position to sell as much as we can produce, Hulamin started 2020 rebuilding its USA distribution channel and with an underloaded plant. I am pleased to report that the rebuilding of distribution channels into the USA has been successfully completed, while the over-stocking has also passed, resulting in a return to historic demand patterns.

Demand for Beverage Can Stock and our automotive products dropped sharply during 2020. These products represent more than 50% of Rolled Products sales, while local automotive sales remain a significant portion of Extrusions sales. As well as being a cause of this slowdown, Covid-19 started having a major impact on our customers, suppliers and our operation/employees.

The impact of Covid-19 on Hulamin

Hulamin employees have endured challenging times in 2019 and 2020, including health risks, family members losing their jobs and job security uncertainty. It is with sadness that we report four of Hulamin family members perished due to Covid-19 in 2020.

Hulamin had to cease operations in late March, following President Ramaphosa's announcement of a countrywide Level 5 lockdown under the Disaster Management Act. In April the company was able to restart manufacturing of certain product lines that were deemed essential goods. Protecting the health of employees and safeguarding the liquidity of the business was Hulamin's focus during this time. Employees who could work from home were issued with full resources to do so as meetings were moved online.

In addition to the Covid-19 impact on operations, 2020 started with the threat of anti-dumping duties into our USA markets, where our reputation as a reliable and high-quality supplier is well established. Should these duties have been imposed, this could have destroyed relationships that have endured for decades. As a consequence, further rationalising, downsizing and job losses would have become unavoidable.

Transformation

The Board continues to place great value on the role that Hulamin plays in normalising and sustaining our South African and KwaZulu-Natal communities. The most significant contribution to this improvement was the acquisition by Hulamin of the slab casthouse in Richards Bay from Hulamin Richards Bay Casthouse, which has been BEE non-compliant historically. Prior to 2020, Hulamin purchased substantial quantities of aluminium rolling slab from Hulamin Richards Bay Casthouse, which spend was classified as non-compliant, whereas from 2020 Hulamin now purchases similar quantities of virgin metal for the Richards Bay Casthouse directly from the Hillside Smelter, which is a B-BBEE Level 5 contributor.

We are therefore pleased that shareholders supported the extension of the existing BEE Strategic Partners Shareholding deal. As a result of the soft share price, vesting and value creation for our employees and partners did not materialise; However, this extension provides the possibility that this vesting, and hence value creation, will take place over a further five years.

In the 2020 assessment, the company scored well to qualify for a Level 5 rating in the revised B-BBEE codes, as published by the Department of Trade and Industry in 2015. Significant improvements were achieved in the areas of Preferential Procurement and Enterprise Development.

In the codes revised in 2015, companies are penalised should they not procure sufficiently from empowered companies or have sufficient black and women shareholding. In Hulamin's case, we were unfortunately penalised by one level (due to the Hulamin BEE Strategic partners arrangement not delivering required ownership levels) and dropped to Level 6.

Aluminium supply

Hulamin continues to play a vital role in the Southern African aluminium industry. Our key supplier is Hillside Aluminium, a large and globally competitive smelter located in Richards Bay. Like all aluminium smelters it is heavily dependent on electricity supply for both operational continuity and economic sustainability.

The aluminium industry contribution to the Southern African economy is founded on the competitiveness of primary aluminium supply from Hillside (and Mozal). Certainty that a replacement long-term power supply contract between Eskom and Hillside will be in place, therefore, is critical to the sustainability of Hulamin and the SA Aluminium industry. Progress has been slow in gaining NERSA (National Energy Regulator of South Africa) approval for a new long-term supply contract, where regulator approval is required and remains in progress.

The Board therefore encourages all parties to finalise the requisite legal mandates and agreements to secure future long-term supply of electricity as soon as possible. In its absence, there is serious risk to the sustainability of the industry. The Board will continue to give guidance to management in this regard. Similarly the Board also continues to encourage management and other interested and suitable parties to make an effort to exploit opportunities presented by the ownership of the Aluminium hub in Richards Bay.

Safety and health

In 2020, Hulamin once again provided a safe and healthy work environment for employees. Opportunities for improvement will always be present; we have identified behavioural safety actions as the most significant area where improvements can be made. However, we are once again proud of our best-in-class 2020 safety record.

Safety incident frequency rates were achieved in 2020 (Total Recordable Case Frequency Rate was 0.3), close to the record year achieved in 2018 (0.12).

Retirement and succession

The Board places great value on the development, growth and succession of Board members and management, while taking heed of shareholder feedback on costs Board size and composition. The Board is satisfied that we have a diverse and experienced Board and management team to run the business over the coming years.

After serving faithfully on the Board for 10 years, as a member of a number of sub-committees including the Audit Committee and Chairman's Committee and as Chairman of the Remuneration and Nomination Committee, we sadly are saying farewell to "Mfundisi" Nomgando Matyumza, whose warm wisdom and guidance served the company so loyally. My fellow Board members and I will sorely miss her.

Anton Krull served as Chief Financial Officer with passion and diligence since 2016 until his resignation in mid-2020. My Board colleagues and I will miss his strategic wisdom as he furthers his career in the United Kingdom. We are certain that his deep insights and well contemplated opinions in Board meetings will be put to good use elsewhere. We look forward to welcoming Mark Gounder who joins the company as CFO from 1 April 2021.

After 17 years as Company Secretary, Willem Fitchat has indicated his readiness to retire and to make way for new talent. I am delighted that Sharon Ramoetlo, who has also served on a number of boards in both the private and public sectors – has agreed to make herself available as Company Secretary.

Conclusion and outlook

The Board is pleased that Hulamin has weathered the challenges of 2020 and continues to deliver value to stakeholders in the region. From reducing headcount by almost 350 people, to massive declines in customer demand, to facing a politically motivated anti-dumping charge in our second largest market (USA), we have faced these challenges with determination and resilience. I am pleased that turnaround efforts improving competitiveness are beginning to show results and look forward to 2021 showing even further performance improvement. Returning to full volume, keeping costs under control and managing working capital are well under way and bode well for much improvement in the year ahead.

Thabo Leeuw
Chairman

2020 AND THE COVID-19 PANDEMIC

The modern world has never faced such a universally disruptive event as the Covid-19 pandemic. No corner of the globe has remained untouched. The virus has not just affected global health, but the very social fabric of societies, our way of life, markets and ways of doing business.

"New normal" is a term that has entered general use in 2020, and with good reason. The world is likely to be forever changed post-Covid-19.

The following sections look at the current state of the Covid-19 pandemic as at 31 December 2020, evaluates the effects of the Covid-19 pandemic on the world at large, on South Africa, on the global aluminium industry, and on Hulamin. It attempts to understand the impact, identify opportunities and threats, and make some predictions on a likely future.

Almost a year since it was recognised as a global threat, the Covid-19 pandemic is still an unfolding event and not everything is known, even by the experts. Due to the inherent uncertainty that surrounds this pandemic, this evaluation has used available data generated to date, accepted wisdom, and informed general consensus around issues.

The spread of Covid-19

In barely a year, a handful of mysterious pneumonia cases discovered in a seafood market in China have become a worldwide pandemic affecting over 81.5 million people (and counting). How could the world change so fundamentally in such a short time?

The Covid-19 pandemic has spread exponentially. The good (and bad) news is that this exponential growth will slow as the virus runs out of new people to infect – either through most people becoming infected (herd immunity), everyone taking consistently effective precautions to avoid infection, or through effective vaccines. Of course, this assumes that vaccines or infection impart long-term immunity, and that the virus does not mutate into substantially more infectious variants that outrun vaccines. (See the section on mutations, below).

Future threat: New strains of Covid-19 add uncertainty and increase risk

Towards the end of 2020, there were indications that the Covid-19 pandemic was entering a new, more dangerous phase, with implications for the immediate future.

A new strain of SARS-CoV-2 was detected in the London area in September. Two months later, in November, the new variant was accounting for a quarter of Covid-19 infections in London. By mid-December this had climbed to nearly two-thirds of cases.

The WHO, on 31 December, said that the new variant (referred to as SARS-CoV-2 VOC 202012/01, aka B.1.1.7) appeared in South East England and "within a few weeks began to replace other virus lineages in this geographic area and London". As of 26 December, it had been identified across the United Kingdom.

"Preliminary epidemiologic modelling, phylogenetic and clinical findings suggest that SARS-CoV-2 VOC 202012/01 has increased transmissibility," said the WHO. "However, preliminary analyses also indicate that there is no change in disease severity."

Dr Erik Volz, from Imperial College London, estimated the variant to be 70% more transmissible, while admitting that it was still too early to tell conclusively. Some scientists had quoted potentially higher figures than 70%, others lower. "But," said Dr Volz, "from what we see so far it is growing very quickly, it is growing faster than a previous variant ever grew".

This enhanced infectiousness is due to mutations in the virus – in this case 23 mutations that arose "without prior notice and faster than anyone expected", a National Geographic article explained in its December 2020 Covid-19 coverage.

"That's a very striking and unusual finding," said Nick Loman, who is part of the Covid-19 Genomics Consortium UK.

In October, similar mutations were found in the SARS-CoV-2 virus in South Africa which described a new SARS-CoV-2 lineage (501Y.V2) with mutations "that may have functional significance".

This variant emerged in South Africa after the first epidemic wave in the severely affected Nelson Mandela Bay area in the Eastern Cape Province, from where it rapidly spread within weeks to become the dominant variant in the Eastern Cape and Western Cape Provinces.

"Whilst the full significance of the mutations is yet to be determined," said the authors, "the genomic data, showing the rapid displacement of other lineages, suggest that this lineage may be associated with increased transmissibility."

The WHO commented on 31 December that while the South African variant has the same "N501Y mutation" as the UK variant, "phylogenetic analysis has shown that 501Y.V2 from South Africa is a different virus variant".

The South African authorities have found that the new variant has largely replaced other SARS-CoV-2 viruses circulating in the Eastern Cape, Western Cape and KwaZulu-Natal provinces, and is rapidly replacing other lineages circulating in South Africa.

The WHO also revealed that "the variant is associated with a higher viral load, which may suggest potential for increased transmissibility" but that this was subject to further investigation.

"At this stage, there is no clear evidence of the new variant being associated with more severe disease or worse outcomes. Further investigations are needed to understand the impact on transmission, clinical severity of infection, laboratory diagnostics, or public health preventive measures," they said.

As of 30 December, the 501Y.V2 variant from South Africa had been reported in four other countries.

The impact of Covid-19 on South Africa

In South Africa, economic activity fell sharply in the first half of the year and inflation crept up. According to Statistics South Africa (Stats SA), annual consumer inflation hit a seven-month high in October, driven largely by rising prices for food and non-alcoholic beverages. Stats SA reported headline inflation as 3.3%, the biggest annual rise since March, when the rate was 4.1%.

The World Bank forecast that South Africa's output would contract by 7.1% this year, the deepest contraction in a century, and Stats SA reported a significant slump of 16.6% (annualised: -51.7%) in the second quarter (the most restrictive months of the Covid-19 lockdown in April, May and June). GDP did grow by an estimated 13.5% in the third quarter (July to September), however, for an annualised growth rate of 66.1%. This Q3 growth off a very low Q2 base means that the economy was still effectively 5.8% smaller at the end of Q3 than it was at the end of 2019. There is still a long way to go for South African industries to reach pre-pandemic production levels.

The champion drivers of growth in Q3 were manufacturing, as well as trade and mining. The manufacturing industry rose at an annualised rate of 210.2%, mostly driven by increases in the production of basic metal products, petroleum, vehicles, and food and beverages.

There have been job losses in all industries in 2020, with a year-on-year decrease of 616 000 employees in September 2020 compared with September 2019, as reported by the quarterly employment statistics (QES) survey released by Stats SA.

The impact of Covid-19 on Hulamin

As with most companies across the world, the Covid-19 pandemic created major disruptions to demand and manufacturing operations at Hulamin, and the first half of 2020 was a challenging period.

Hulamin had to cease operations in late March, following President Ramaphosa's announcement of a countrywide Level 5 lockdown under the Disaster Management Act. In April the company was able to restart manufacturing of certain product lines that were deemed essential goods, but this only represented less than 50% of Hulamin's product portfolio.

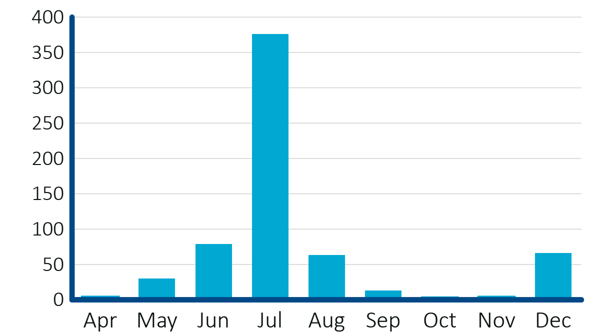
Protecting the health of employees and safeguarding the liquidity of the business was Hulamin's focus during this time. Curtailing the procurement of primary aluminium, reducing inventory levels and focusing on the conversion of existing inventory to cash were prioritised. Manufacturing centres without sufficient work were shut down, and those employees who could work from home were issued with computers and data to continue working normal hours as meetings were moved online. Seven enabling pillars manned by dedicated, empowered teams were identified in order to provide a structure to support the new working arrangements and promote rapid problem solving and execution while functioning in highly stressed and sometimes uncertain conditions.

As at 31 December 2020, Hulamin had spent R26 679 005 towards Covid-19-related initiatives such as employee transport, wellness (including return to site professional coaching for employees who tested positive), employee-awareness-programme, communication, education and safety protocols.

In September further measures were put in place:

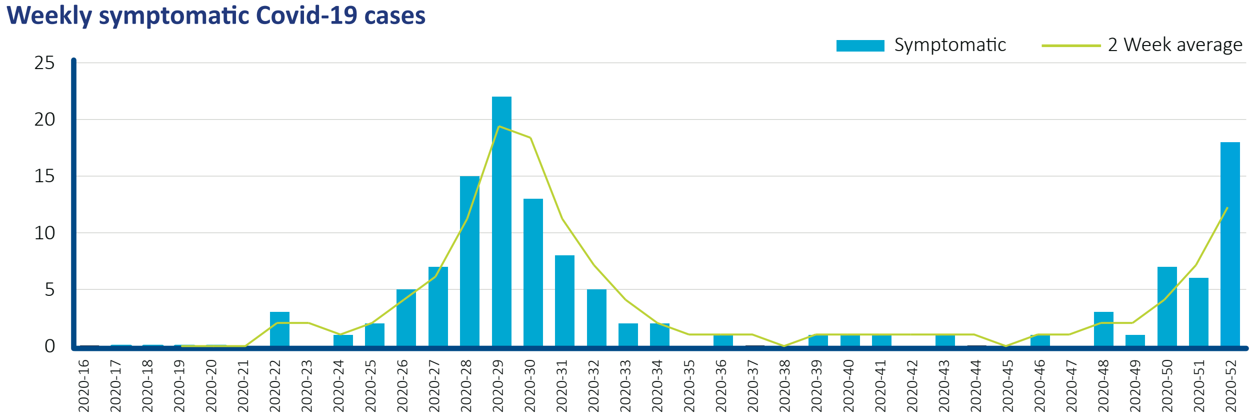
- An updated operational framework was adopted, with the objective of guiding our actions as we transitioned through the various lockdown levels in South Africa.
- The full time returning to site of employees was identified as a key enabler to drive enhanced business operational performance.
- The main triggers enabling the full time returning to site for employees included the number of active cases being experienced during a week, as well as the country lockdown level.
- The updated guiding principles were transitioned from mainly social distancing principles to a broader set of principles including active management, embracing technological advancements and the appropriate allocation of resources.
- The main update of Hulamin's approach towards Covid-19 testing for employees had moved from routine PCR (swab) testing towards testing employees who show symptoms and employees who are identified as being direct contacts of an individual who tested positive.
- A sample of 40 employees had undergone the anti-body testing, and the results showed that the employees with anti-bodies present, were employees who had previously displayed symptoms. The results also showed that employees who tested positive previously, but were asymptomatic, did not have antibodies present. These results had a direct impact on the herd immunity that may exist at Hulamin, causing our approach to remain conservative towards employees with comorbidities and maintain our strict approach towards site physical distancing.
- A phased approach towards employees returning to site full time was undertaken from 28 September 2020.

Monthly Hulamin Covid-19 positive cases



By the end of 2020, 490 employees had recovered from Covid-19, 29 recovering, with a total of 523 employees testing positive and four employees sadly succumbing to the disease.

Weekly symptomatic Covid-19 cases



During December 2020, second wave early warning triggers were reached at Hulamin, resulting in non-site essential staff working from home again. The measure used by Hulamin for the trigger was a two-week moving average for employees who had tested positive. The early warning trigger band used was between five and 10, and the maximum level triggering the work from home step was 10.

By the end of December 2020, the two-week average had reached 13. The total number of employees who tested positive during December was 66, with 32 employees displaying symptoms. One of the main objectives of Hulamin during the first and second waves, was to ensure that Hulamin employees were provided with the best possible care, which was expected to assist each employee with an increased chance of recovering successfully from Covid-19. Additional activities undertaken in this regard included daily health check-in calls, home visits by Hulamin nurses where the checks included oxygen level measurements, the administering of oxygen to employees (and sometimes family members) who required it, and interventions that included calling employees personal doctors and ambulances when employees required emergency and hospital care. Many of these employees have fully recovered, due to the high level of commitment of Hulamin's Covid-19 co-ordination team in persevering with the various interventions.

Hulamin Covid-19 statistics	2020
Number of employees and contractors tested positive	523
Recovered	490
Recovering	29
Employees who have passed away from Covid-19	4

INTRODUCING HULAMIN

01

HULAMIN AT A GLANCE

Hulamin is a leading, mid-stream aluminium semi-fabricator and fabricator of aluminium products located in Pietermaritzburg, KwaZulu-Natal.

We purchase primary aluminium and supply a range of high value, niche rolled products and complex extrusions to manufacturers of finished products in South Africa and over 50 countries around the world.

Hulamin's largest activity is aluminium rolling which contributes around 90% of our revenue, with the balance comprising extruded products and other downstream products. Although the South African market is an important and growing element of our business, a significant portion of rolled products are exported to regions such as Europe, North America, the Middle East and Asia.

Our Philosophy	Through a commitment to a common purpose we can forge our own destiny. Knowledge and attitude give us power over our business challenges and personal circumstances.
Our Core Purpose	Our core purpose is to create value through the manufacture of high-value aluminium semi-fabricated products. In doing so, we aim to contribute to the upliftment of the standard of living in the region. We achieve this by stimulating business activities associated with adding value to the large quantities of primary aluminium produced in the region and through pursuing related business opportunities within which we can further apply our capabilities.
Our Vision	To drive value to all stakeholders, whilst contributing to a better, more inclusive world.
Our Promises	• Earn a reputation for excellent customer service • Assist all employees to uplift their skill levels • Generate respectable profits in our operations • Set the benchmark in our industry for safe and responsible manufacturing
Our Values	• Mutual Respect • Working safely and responsibly • Honesty and Integrity • Customer value • Teamwork
The Standards We Set Ourselves	Our success is measured by the extent to which: • We are respected and admired by all our stakeholders • We are regarded as an employer of choice • We are filled with pride in our achievements • We make the world a better place

GROUP OVERVIEW

Hulamin Rolled Products, Hulamin Containers and The Hulamin Richards Bay Casthouse together form the Rolled Products operating division which is responsible for semi-fabrication and fabrication of rolled aluminium products and forms the Rolled Products reportable segment. Hulamin Extrusions comprises the Extrusions operating division which is responsible for the semi-fabrication of extruded aluminium products and forms the Extrusions reportable segment.

Hulamin Rolled Products

Principal activity

Hulamin Rolled Products produces a range of technologically sophisticated sheet, coil and plate products focusing on high-quality, tight tolerance and complex products.

Production facilities include re-melting and recycling facilities, direct-chill ingot casting, continuous casters, hot, cold and foil rolling mills and further finishing processing lines, all based in Pietermaritzburg, KwaZulu-Natal.

Key markets

The majority of products are exported to customers in North America, Western Europe and the Far and Middle East for use in the packaging, automotive and transportation, engineering, and building and construction markets.

Key strategic focus areas

- Operational performance and cost competitiveness
- Rolling slab and melting ingot supply
- Secondary melting processing
- Local market growth and opportunities
- High value products

Hulamin Extrusions

Principal activity

Based in Pietermaritzburg, KwaZulu-Natal, Hulamin Extrusions is a leading local supplier of standard and custom aluminium extrusions.

Key markets

Hulamin Extrusions supplies the local engineering and architectural markets.

Key strategic focus areas

- Security of billet and secondary metal supply
- Cost competitiveness
- Market growth and opportunities

Hulamin Containers

Principal activity

Hulamin Containers, a downstream business, is a leading producer of standard and customised rigid aluminium foil containers for the catering industry and for household use.

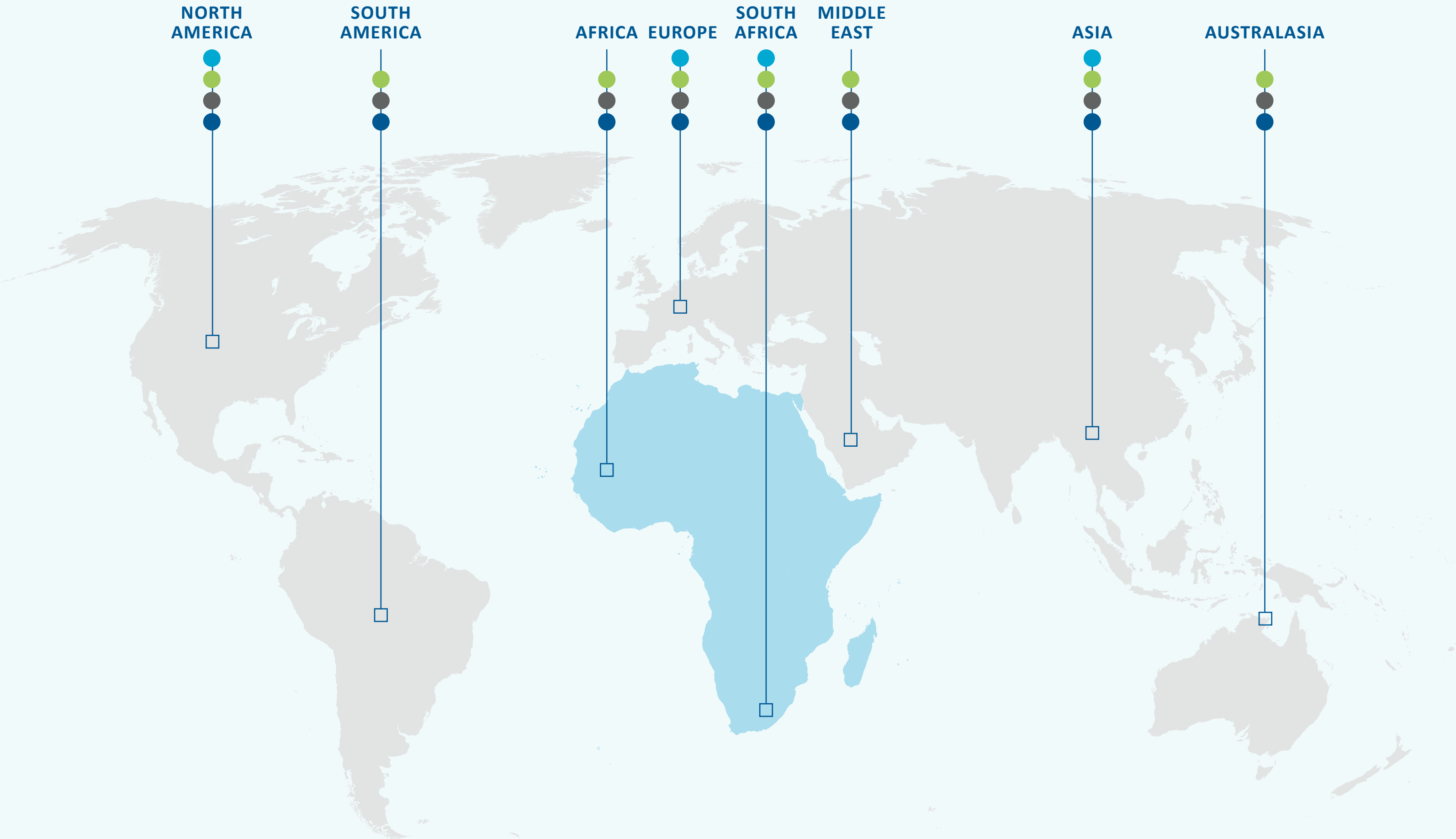
Hulamin Containers is based in Pietermaritzburg, KwaZulu-Natal, with sales and distribution offices in Johannesburg and Cape Town.

Key markets

Hulamin Containers supplies the local packaging and container market.

Key strategic focus areas

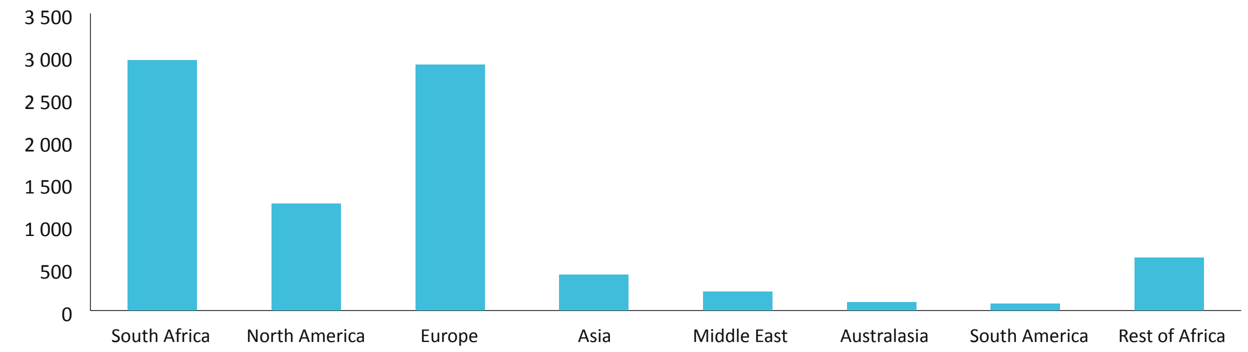
- Operational performance and cost competitiveness
- Local and international market growth and opportunities



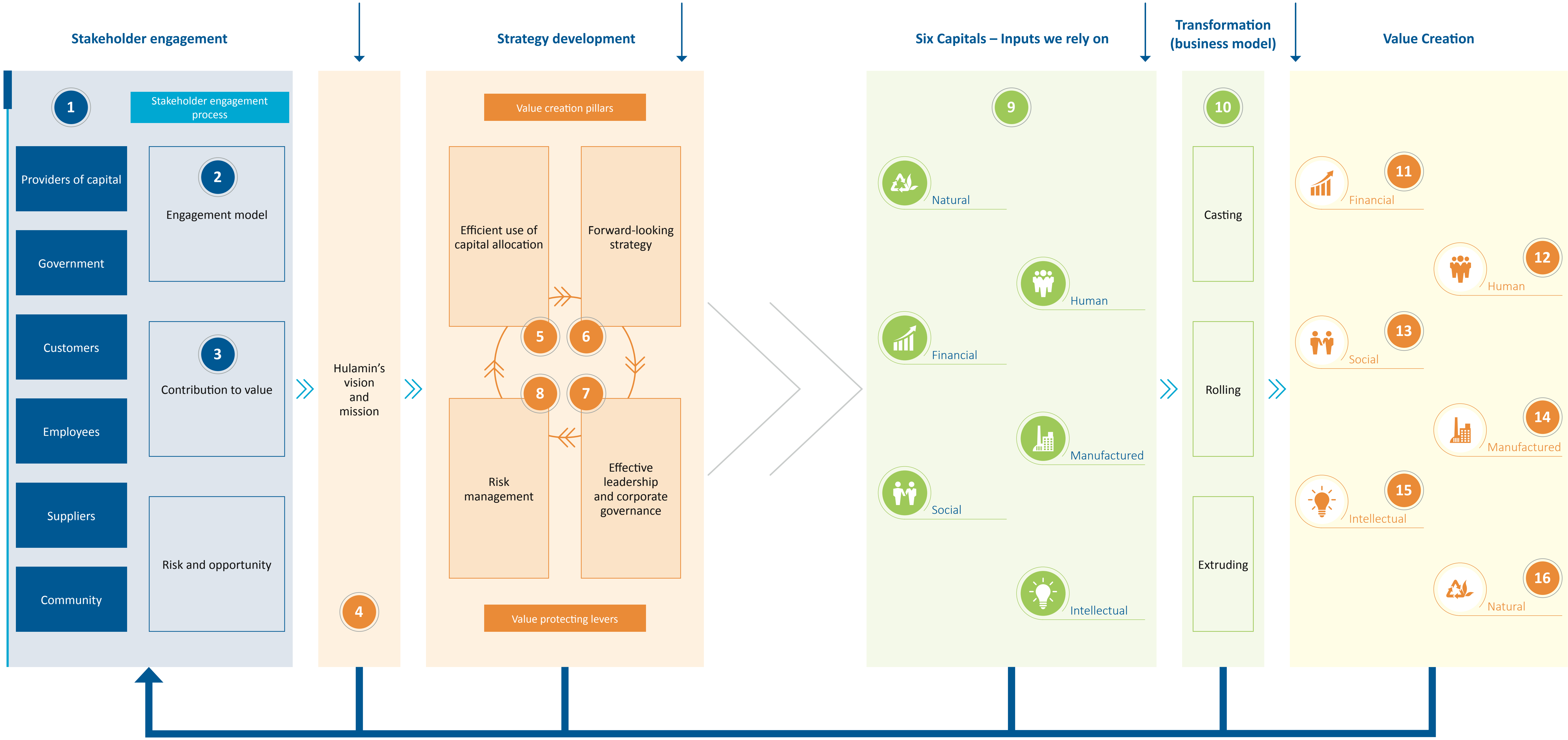
Our products are used by downstream fabricators in a variety of industries, namely:

- Automotive and transportation
- Building and construction
- General engineering
- Packaging

GEOGRAPHICAL ANALYSIS OF REVENUE
(Rm)



INTEGRATED THINKING



1 Our stakeholders: Our key stakeholders are our shareholders and providers of capital, customers, suppliers, community, employees and government.

2 Engagement model on pages 26 to 27.
3 Contribution to value on page 81.

Hulamin's vision and mission supports Hulamin's strategic positioning to provide value for our stakeholders.

4 Hulamin's vision and mission on page 9.

Strategy development has two pillars, value-creation and value-protecting. These pillars work together to provide:

5 Efficient use of capital allocation on page 76.
6 Forward-looking strategy on page 37.
7 Effective leadership on pages 32 to 34 and corporate governance on page 79.
8 Risk management on pages 50 to 61.

Six Capitals – Inputs we rely on

9 Six Capitals Hulamin's strategy relies on pages 62 to 75.

Transformation (business model)

10 Hulamin's business model on page 24 to 25.

Value creation

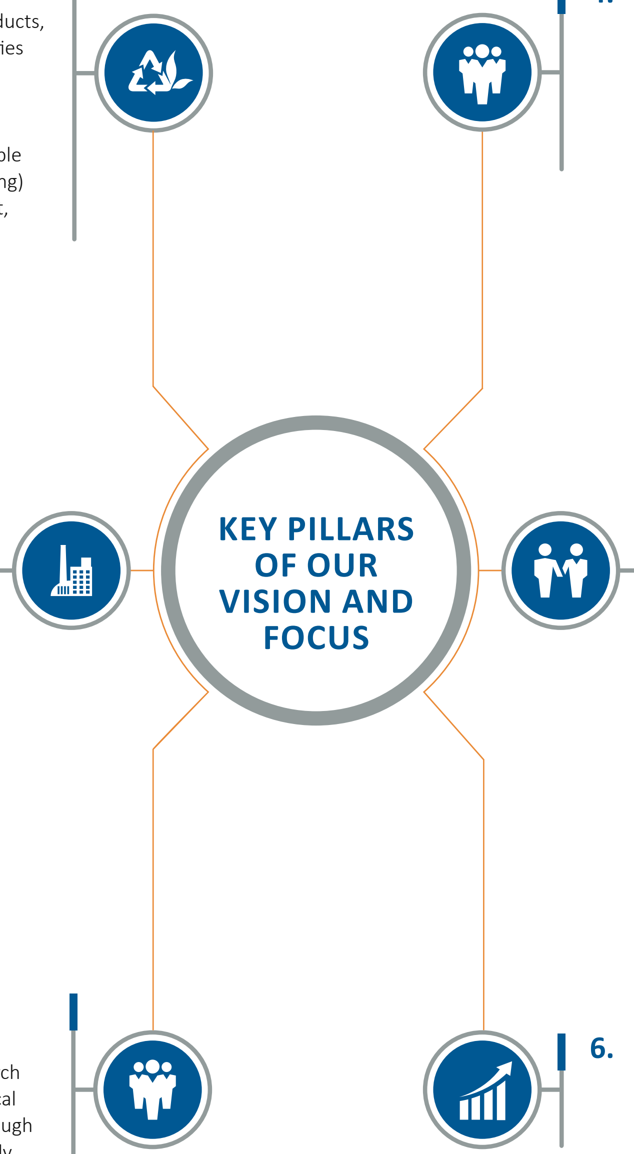
11 Financial value creation on pages 114 to 199.
12 Human capital value creation on pages 64 to 65.
13 Social and relationship value creation on pages 62 to 63.
14 Manufactured capital value creation on pages 66 to 71.
15 Intellectual capital value creation on pages 72 to 73.
16 Natural capital value creation on pages 74 to 75.

HULAMIN'S CIRCLE OF SYNERGY

As an African-based aluminium semi-fabricator, and the only major aluminium rolling operation in sub-Saharan Africa, Hulamin has the unique opportunity to drive sustainable value to all its stakeholders.

Hulamin's reinforcing "Circle of Synergy" lies at the heart of our vision to drive value to all stakeholders, whilst contributing to a better, more inclusive world. The Circle of Synergy illustrates our commitment to our customers, employees, the community and the environment.

Key pillars of our vision



1. Sustainable and innovative products

We support the production of sustainable and innovative products, unlocking the powerful properties of aluminium for a variety of applications that advance our world sustainably. Our strategic focus is on supporting sustainable advancements in cans (packaging) and cars (automotive, transport, green tech/battery).

2. African industrialisation and digitalisation

We support economic growth in South Africa and Africa.

A strong upstream industry supports downstream industrial investment and growth.

3. African innovation

We support skills development and the advancement of research and innovation and technological development in the region through investment in employees, supply chain and research and innovation.

4. Transformation

We support poverty alleviation, reducing inequality and enhancing inclusivity through a transformation focus in the areas of, *inter alia*, supply chain, enterprise development, employment equity and CSI.

5. Sustainable production

We encourage and advance sustainable production by:

- Increasing recycled content (which also advances job creation through the closed-loop system);
- Providing viable alternatives to non-sustainable materials; and
- Focusing on reducing water and energy use.

6. Financial returns

We generate sustainable growth and return on investment for our providers of capital.

OUR COMMITMENT TO SUSTAINABILTY DEVELOPMENT

The world in the 21st century is one of constant change and growing uncertainty. Economically, socially and culturally businesses are expected to employ sustainability strategies to meet the needs of future generations.

The National Development Plan 2030 (NDP) aims to ensure that all South Africans attain a decent standard of living through the elimination of poverty and the reduction of inequality. The NDP is aligned with the United Nations Sustainable Development Goals (SDGs) and the 2063 Africa Agenda, which promotes sustainability for all. Hulamin's Circle of Synergy embraces the SDG and NDP frameworks, as shown in the table below:

Science-based targeting and carbon footprint measurement. Resource efficiency projects. Refer to our sustainability report https://www.hulamin.com/about/sustainability

Can recycling project
Creation of jobs (ESD) collecting cans refer to our sustainability report https://www.hulamin.com/about/sustainability

Development funding CSI projects. Enterprise development projects refer to page 62 and a full report available on the following link of our sustainability report https://www.hulamin.com/about/sustainability

Corporate Social Investments projects refer to page 62 and a full report available on the following link of our sustainability report https://www.hulamin.com/about/sustainability

Human capital refer to page 64 and a full report available on the following link of our sustainability report: https://www.hulamin.com/about/sustainability

Employee wellness days and Ask Nelson project.

Science-based targeting and carbon footprint measurement. Resource efficiency projects refer to our sustainability report https://www.hulamin.com/about/sustainability

Training and skill development refer to page 64 and a full report available on the following link of our sustainability report https://www.hulamin.com/about/sustainability

Enterprise development projects and CSI projects refer to page 62 our sustainability report https://www.hulamin.com/about/sustainability

Focus on talent development and employment refer to our sustainability report available on the following link https://www.hulamin.com/about/sustainability

Resource efficiency projects and environment sustainability strategy projects refer to page 61 and our sustainability report https://www.hulamin.com/about/sustainability

THE BUSINESS IN CONTEXT

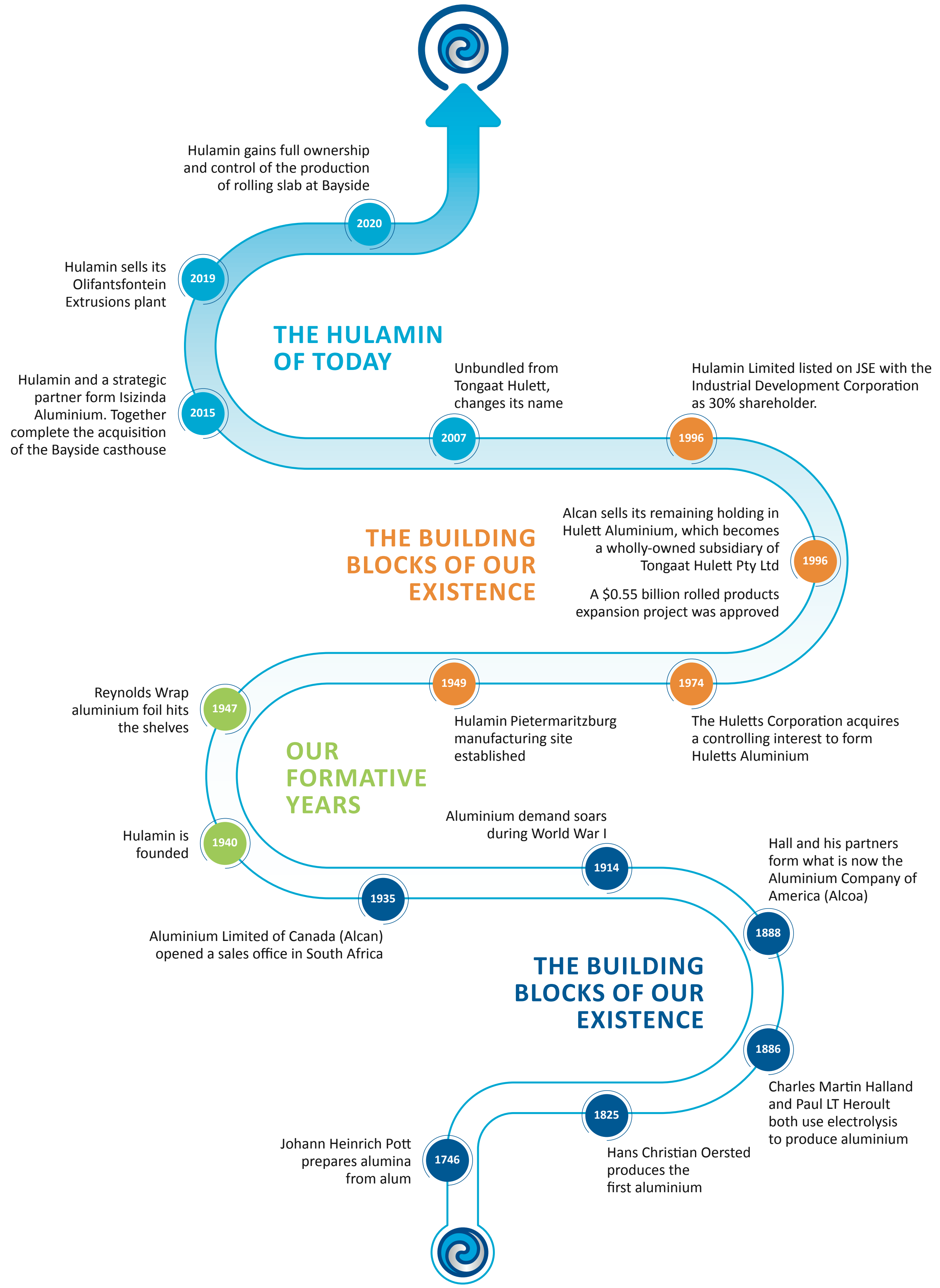
02

Hulamin in context

Hulamin lies within the mid-stream aluminium industry and is responsible for transforming primary aluminium into two types of semi-fabricated products, namely, rolled products and extruded products. These products are used by downstream fabricators within the packaging, engineering, automotive and construction sectors. 65% of Hulamin's sales are exported to manufacturers around the world, making it one of the largest mineral beneficiating exporters in South Africa.

Semi-fabricators such as Hulamin play an important role in the country's aluminium supply chain, by playing the linking role between the upstream and downstream aluminium industry. The contribution of the aluminium industry to the regional economy is built on the certainty of primary aluminium supply from Hillside and Mozal. Hulamin Richards Bay Casthouse also plays a key strategic role in securing the supply of Hulamin's aluminium slab needs. The absence of these suppliers would result in a serious risk to the sustainability of the industry.

ALUMINIUM AND KEY MILESTONES IN HULAMIN'S HISTORY



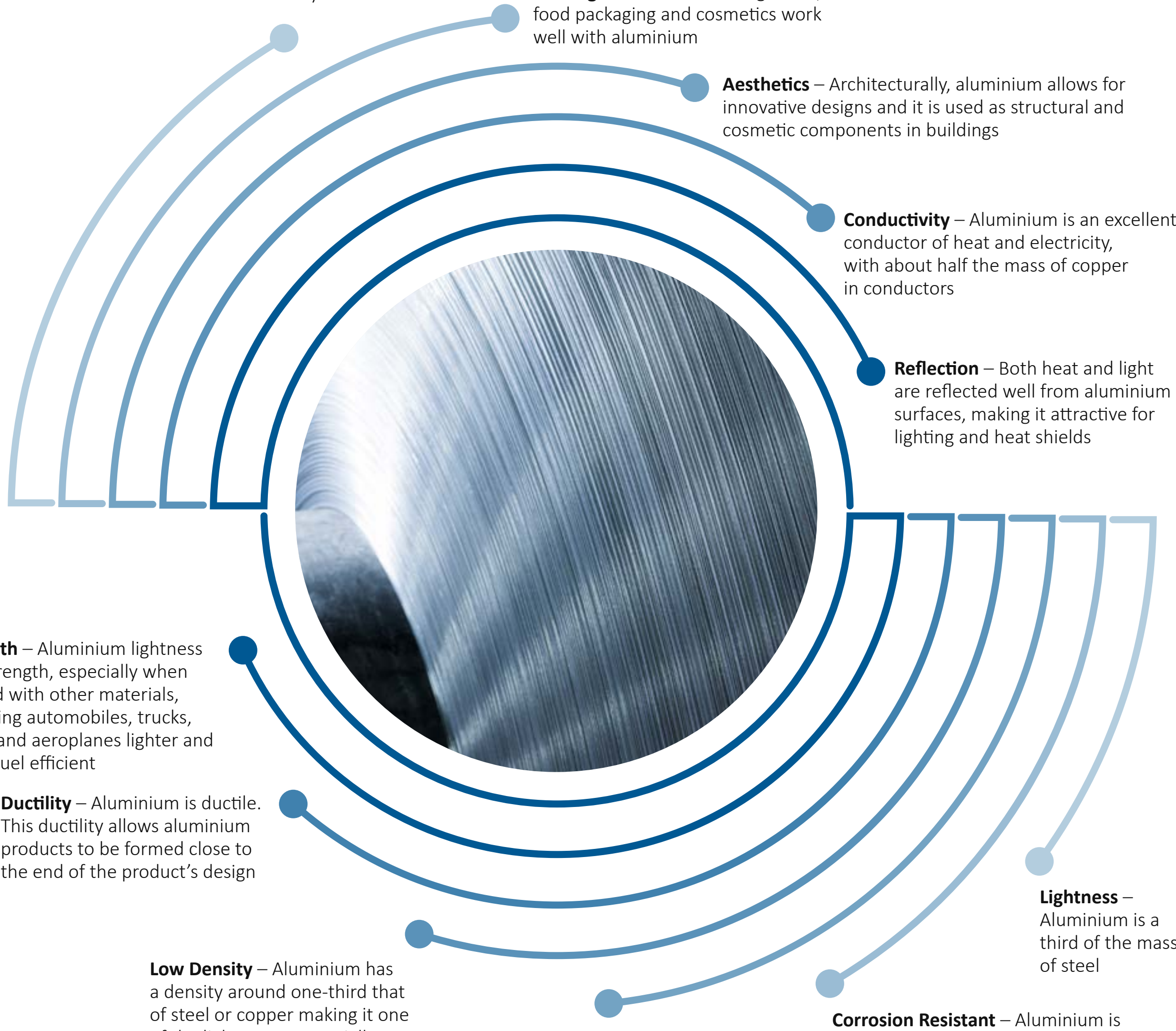
WHAT IS ALUMINIUM?

Aluminium is a metallic chemical element (Al) on the periodic table and is the third most abundant element on earth. Although abundant, making up more than 8% of the earth's crust by mass, pure aluminium metal is very rare in native form and is found as a compound.

Aluminium remains one of the most versatile materials available, and is used in everything from kitchen foil and cans to car parts and aircrafts.

THE VALUE OF ALUMINIUM

Aluminium is considered as the material of the future due to its unique properties as listed below:



Recycling – 60% of aluminium in use is recycled

Coating Adhesion – Beverage cans, food packaging and cosmetics work well with aluminium

Aesthetics – Architecturally, aluminium allows for innovative designs and it is used as structural and cosmetic components in buildings

Conductivity – Aluminium is an excellent conductor of heat and electricity, with about half the mass of copper in conductors

Reflection – Both heat and light are reflected well from aluminium surfaces, making it attractive for lighting and heat shields

Strength – Aluminium lightness and strength, especially when alloyed with other materials, is making automobiles, trucks, trains and aeroplanes lighter and more fuel efficient

Ductility – Aluminium is ductile. This ductility allows aluminium products to be formed close to the end of the product's design

Low Density – Aluminium has a density around one-third that of steel or copper making it one of the lightest commercially available metals

Non-magnetic – Aluminium protects against interference of magnetic fields

Corrosion Resistant – Aluminium is durable and corrosion free, as a result of a resilient oxide layer that forms on the material

Lightness – Aluminium is a third of the mass of steel

TRENDS IN THE ALUMINIUM SECTOR

Think future. Think aluminium.

In comparison to developed and other developing countries, aluminium consumption in South Africa is still low, indicating huge upside potential for the South African aluminium industry. The growing use of aluminium in the automotive sector, the packaging sector, and expansions around infrastructure projects and electricity reticulation allow for opportunities to arise within this sector. In order to maximise these opportunities, collaboration between the private and government sector, regulatory competitiveness, and stable financial markets is required to enable the capital raising necessary for growth.

The nature of trade barriers in emerging economies and the level of taxation on imported goods has resulted in an influx of products from low cost markets. The global conversation around trade barriers may be reaching a breaking point and the impacts of the decisions by economies such as United States will have far-reaching consequences due to the nature of global supply chains. While this may result in economies such as China seeking other markets for the propagation of their goods, other aluminium producers may also find opportunity in the US marketplace.

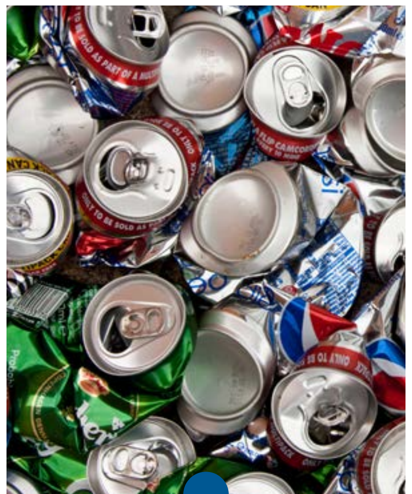
From Hulamin's point-of-view, whilst certain products remain competitive in the international market, the focus for growth remains in South Africa and the wider continent.

Cars

Packaging

Building and construction

Central to aluminium production will be the following drivers:



Recycling

Aluminium can be recycled endlessly without loss of its properties. 60% of aluminium in use is recycled

Green technology

Total CO_2 emissions from primary production are predicted to fall by 60% to 70% by 2050 compared to 2014 figures

Innovation and digitalisation

Advancement in digital technology is disrupting the traditional business models and redefining the way business is to be done in order to compete and survive in future

THE ALUMINIUM VALUE CHAIN

PRIMARY aluminium production

1

Bauxite mining and alumina production

Bauxite mining

Aluminium production starts with the raw material bauxite. Bauxite is a mineral found mostly in a belt around the equator. Bauxite, containing 15% to 25% aluminium, is the only ore that is used for commercial extraction of aluminium today. Global bauxite resources are estimated to be 55 to 75 billion tons and at the current rate of extraction, these reserves will last 250 to 340 years. The majority of the global bauxite reserves can be found in Australia and Africa.

Alumina production

Aluminium oxide (alumina) is extracted from bauxite in a refinery. Alumina is then used to produce primary aluminium.

2

Primary aluminium production

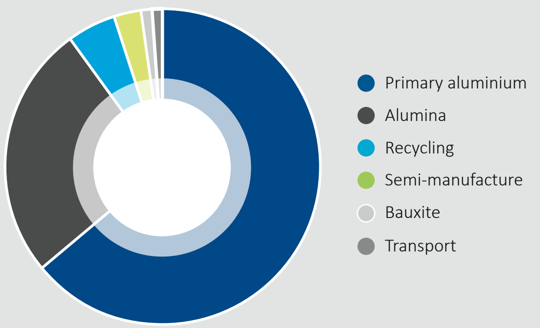
The production of primary aluminium takes place in the smelting process that refines alumina into aluminium. As the aluminium atom in alumina is bonded to oxygen, these bonds have to be broken by electrolysis to produce aluminium metal. This requires huge amounts of energy.

Liquid aluminium is then drawn from this process and cast into ingots and billets for further processing.

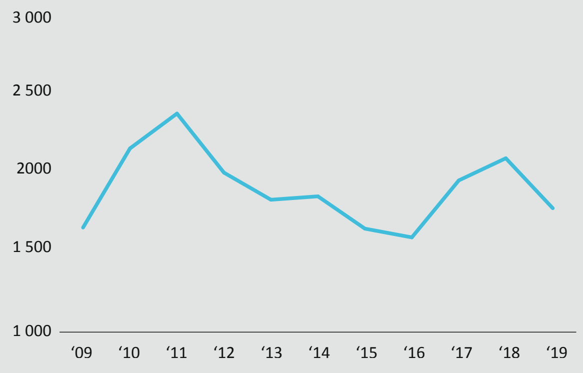
Aluminium is a global commodity traded on the London Metal Exchange (LME). The price fluctuates according to global supply and demand.

The world's stock of aluminium in use is like a resource bank. Around 75% of aluminium ever produced is still in use, and some of it has been through countless recycle loops.

CO_2 EMISSIONS IN THE PRODUCTION OF ALUMINIUM PROCESS



PRIMARY ALUMINIUM PRICE PER THE LME ($ per ton)



About 8% of the earth's crust is aluminium, making it the third-most abundant element by volume after oxygen and silicon.

Only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses.

SECONDARY aluminium production

3

Casting of aluminium value-added products

Aluminium casting

Primary aluminium is alloyed with other elements such as copper, manganese and silicon for additional strength, corrosion resistance and other properties. These are then cast into billets, remelt ingots, slabs, and rods and other castings for further processing.

Billet

These log-shaped castings are produced in various diameters and lengths using a vertical direct chill process. They are used for producing extrusions, also known as profiles, that find major end use in construction, industrial and transportation purposes, as well as for forging purposes in automotive industries.

Slab

These cuboid shaped ingots are the input to the rolling process and are produced using a similar technique to billet. Slab is used to produce rolled aluminium products.

4

Semi-fabrication of aluminium

Rolling

Aluminium is ductile and can be processed in a cold and hot condition. Final foil products can be as thin as 0,006 mm and still be completely impermeable to light, aroma or taste.

The metal itself forms a protective oxide coating that is highly corrosion resistant. Various types of surface treatment can further improve these properties.

Extruding

Aluminium can be extruded and shaped into a variety of tubes and profiles. Aluminium billets are heated to 500˚Celsius and pressed through shaping tools, to make profiles and various products.

Foundry casting

The properties of aluminium change when small quantities of other metals are added to produce aluminium alloys. These can give greater strength, brilliance, corrosion resistance and ductility, making aluminium easier to form into an endless variety of products.

6

Recycling

- Aluminium can be easily recycled, whilst keeping its distinctive properties, and can be endlessly recycled without any loss in quality (secondary aluminium production).
- Only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses
- The world's stock of aluminium in use is like a resource bank.

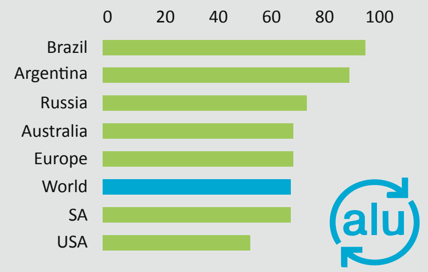
5

Manufacturing and use

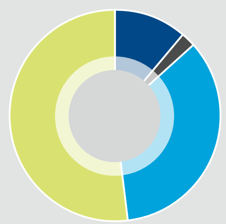
Aluminium fabricated products are used throughout the world and throughout many different sectors. In developed countries, the demand for aluminium comes mostly from the rapidly growing transport industry, which is driven by an expanding auto market. Mature countries typically use more aluminium in light vehicle production. Due to its low weight, aluminium makes cars more energy efficient.

Developing countries are expanding their infrastructure and food production to satisfy the needs of growing populations that are migrating to large cities. Consequently, the packaging and construction sectors are some of the biggest consumers of aluminium within developing countries.

PROPORTION OF RECYCLED ALUMINIUM TO TOTAL CONSUMPTION



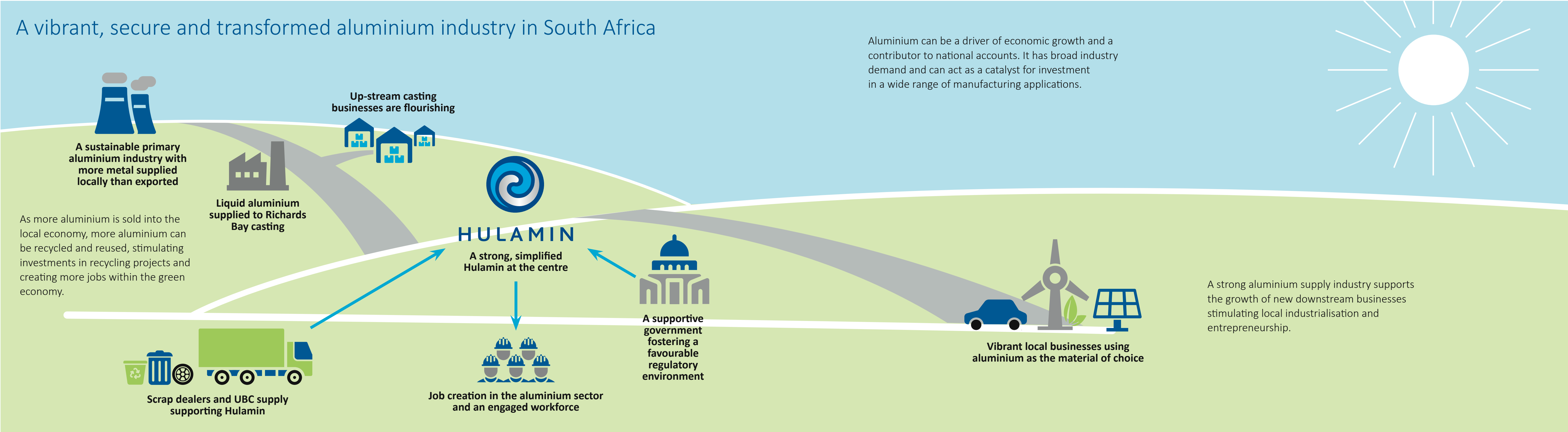
HULAMIN 2020 REVENUE BY PRODUCT MARKET (R'000)



Automotive and transport	1 542 497
Building and construction	150 267
General engineering	2 254 509
Packaging	4 587 401
Other	14 204

THE ROLE OF HULAMIN AND SOUTH AFRICA IN THE ALUMINIUM VALUE CHAIN

Aluminium is a driver of industrialisation, an enabler of innovation and a sustainable metal that is infinitely recyclable. Our vision for the South African aluminium industry is shown below, where Hulamin is an enabler of upstream and downstream businesses using aluminium as the material of choice. A circular economy is created using scrap from customers and scrap dealers which is bought and recycled by Hulamin.



South Africa's economic vision

To achieve the objectives set out in the National Development Plan (NDP) and the Industrial Policy Action Plan (IPAP) goals, the South African government aims to:

- Create jobs (downstream fabrication development, recycling, mid-stream growth)
- Balance national accounts (export fabricated aluminium products rather than primary aluminium)
- Manage carbon footprint through aluminium's energy-bank properties
- Improve environmental sustainability
- Drive growth in local downstream fabrication
- Drive transformation of the economy
- Develop the nation's human capital
- Improve South Africa's competitiveness
- Promote technological development
- Create industry success with a world-class aluminium supply package
- Create investment opportunities

Hulamin's role in developing the local economy

A creator of economic value and human capital developer

- Hulamin contributes to national current accounts through the exportation of semi-fabricated aluminium
- We provide employment, mentor and develop SMMEs
- We support and promote investment in downstream fabrication industries in South Africa
- We procure the majority of our goods and services in South Africa

Major contributor in the South African aluminium value chain

- We are the largest supplier of aluminium raw materials to the South African manufacturing industry
- We promote the development and innovation in aluminium technology and use
- As a strategic asset to South Africa, we assist in promoting and driving foreign direct investment in downstream manufacturing
- Our world-class asset base and knowledge unlocks the properties inherent in primary aluminium, for use in a variety of industries and product applications
- Aluminium is 100% recyclable, and we are a leader in recycling
- We promote the use of aluminium in the local economy

Regional social partner/stabiliser

- We are committed to transformation and B-BBEE
- We support our economy by procuring the majority of our goods and services locally
- We believe that social investment is key to the upliftment of our communities
- We are a major regional employer

Export manufacturer

- We are an earner of foreign currency and support the national current account

Preferred supplier of aluminium manufacturing inputs

- We are committed to supplying quality goods locally and internationally
- Our development of aluminium products supports downstream industries and is an enabler of economic growth

Major partner in metals semi-fabrication

- Technology – developer and partner in government support programmes
- A partner of government and other industry players to support the NDP vision

Leader in manufacturing excellence

- Developer and provider of skilled people
- Benchmark in metals processing

Positive counter to aluminium smelting carbon footprint

- Stimulator of aluminium usage

BUSINESS MODEL

CAPITAL INPUTS

Financial Capital

The group requires funding for day-to-day and expansionary activities in order to generate value for all stakeholders. Funding is received from:

Shareholders: The group's largest investor is the Industrial Development Corporation, holding 29.17% of issued share capital.

Manufactured Capital

Rolling: The rolling operations consist of hot, cold and foil rolling mills. Finishing equipment includes coil coating lines, slitting, sheet cut-to-length lines, cleaning and tensioning levelling and foil finishing facilities. The plate plant is equipped with sawing, stretching and plate cut-to-length lines.

Extrusions: An extrusions plant, including die manufacturing, anodising and fabrication.

Remelt and Casting: Hulamin owns three slab production lines in Pietermaritzburg, fed by reverberatory melting furnaces, with a slab capacity of around 240 000 tons per year and a recycling furnace. Hulamin also owns the Bayside casthouse in Richards Bay, which produces one-third of its total rolling slab requirements.

Natural Capital

Hulamin relies on energy (LPG, CNG and electricity) and water to transform primary aluminium into semi-fabricated and fabricated products.

Human Capital

The group employs over 1 700 people across all its business units.

Intellectual Capital

The group's state-of-the-art technical equipment and demanding products require specialised engineering, metallurgical and manufacturing experience, competencies and capabilities, supported by knowledge management, machine-learning and technical consultants.

Social Capital

Government

Government provides support to the aluminum industry through incentives and assistance with the downstream development of the aluminium value chain.

Suppliers

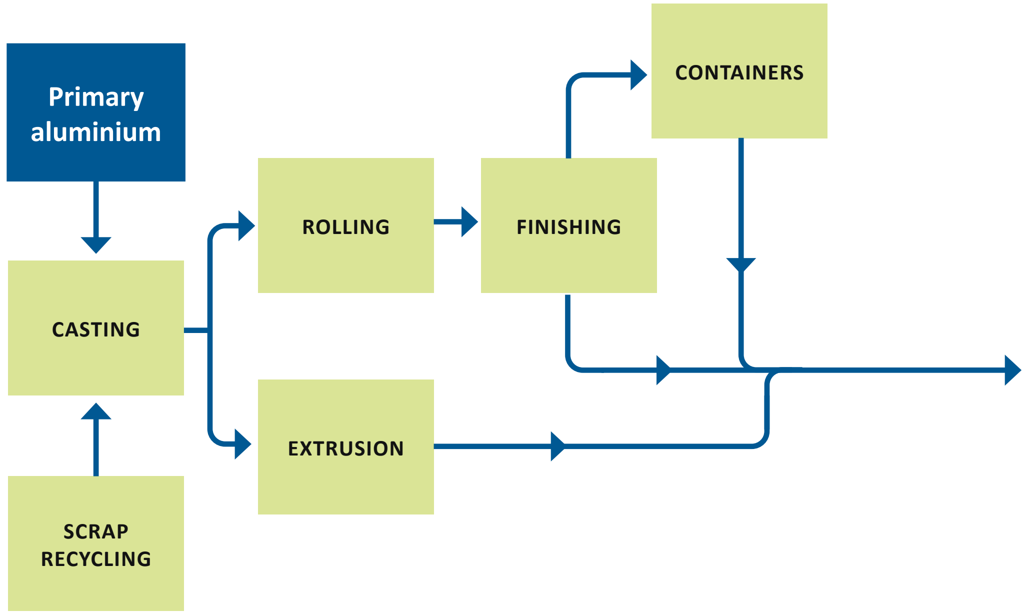
Strong relationships with suppliers ensure that the group is able to secure the long-term supply of key inputs into the manufacturing process.

Customers and markets

Relationships with customers are key in developing new products and innovation.

WHAT WE DO

Hulamin transforms primary aluminium and recycled scrap into semi-fabricated products (rolled products and extruded products) which can be used by downstream fabricators in a broad range of industries, thereby unlocking the intrinsic remarkable properties of aluminium for use in a variety of end-use applications.



METAL INPUTS

Hulamin remelts primary aluminium received from South 32's Hillside smelter, together with process and bought-in scrap, in its remelt and casting facilities to cast around two-thirds of its rolling slab and one-third of its extrusion billet requirements. The aluminium is alloyed with other materials, usually iron, silicon, zinc, copper, manganese and magnesium, to create metals with a wide range of different properties and strength characteristics. One-third of Hulamin's rolling slab requirements is bought in from Isizinda Aluminium. Two-thirds of Hulamin Extrusion's extrusion billet requirements are imported. Aluminium slab and billet are the feedstock for the rolling and extruding processes respectively.

ROLLED PRODUCTS

In the rolling operation, aluminium slab is passed through a number of pairs of rolls to reduce its thickness down to plate material with thicknesses of 6 mm to 250 mm and further down as low as 2 mm for subsequent cold rolling to sheet and coil with thicknesses as low as 0.2 mm. Further rolling can produce the thinnest of foil with a thickness as low as 0.006 mm. The rolling of cast aluminium changes its metallic structure and the metal takes on new characteristics and properties, with improved strength and ductility.

EXTRUDED PRODUCTS

The extrusion process involves a preheated billet being squeezed through an opening in a die forming the cross-section of the extrusion or profile. This is used in the building and automotive industry.

CONTAINERS PRODUCTS

Hulamin Containers is the preferred manufacturer and supplier of foil containers and related products in South Africa and abroad.

MARKET FOCUS AND REVENUE MODEL

Hulamin Rolled Products is primarily an export business (in excess of 60%), due to the current small size of the local aluminium downstream industry relative to the capacity of the Hulamin plant, which has the necessary scale to be globally competitive. Hulamin Extrusions is a supplier to the domestic market. In addition to recovering the metal cost component in its products, Hulamin earns a conversion fee as compensation for the costs of rolling, extruding and finishing its various products.

HULAMIN MARKETS AND PRODUCTS

Automotive and Transportation

KEY PROPERTIES

Lightweight, corrosion resistant, recyclable, strong and ductile

AUTOMOTIVE CLAD TUBE STOCK AND FINSTOCK

Used in the manufacture of automotive heat exchangers such as radiators, charge air-coolers, condensers and evaporators

PLATE AND HEAT-TREATED PLATE

Used in the production of aerospace components, truck bodies, trailers, tankers, boats and train wagons

HEATSHIELD PRODUCTS

Used for containing heat within engine compartments

EXTRUSIONS

Used in a variety of applications such as suspension and drive train components, running boards, and impact protection components

Packaging

KEY PROPERTIES

Lightweight, corrosion resistant, impermeable, odourless and recyclable

CAN BODY, AND COATED CAN-END AND TAB STOCK

Used in the manufacture of cans for the beverage industry

CONVERTER FOIL

Used in the production of laminated cartons and confectionary packets for the food and beverage market. Household foil, rigid container foil, laminated foil, closure sheet for use in the manufacture of bottle caps

Building and construction

KEY PROPERTIES

Lightweight, corrosion resistant, good reflective qualities, strong and long life

PAINTED, AND MILL FINISH BUILDING COIL AND SHEET

Used in a wide range of applications including roofing, cladding, ceilings, gutters and downpipes

EXTRUSIONS

Used in the manufacture of various household frames and other industrial applications

General engineering and durable consumer goods

KEY PROPERTIES

Corrosion resistant, excellent heat and electricity conductor, strong and ductile and aesthetically pleasing

GENERAL ENGINEERING COIL AND SHEET PRODUCTS

Used in items such as electronics, computers, office products and durable consumer goods

PLATE AND HEAT-TREATED PLATE

Used in vacuum chambers for the manufacture of computer chips, plasma displays, distribution boards and numerous other applications

FINSTOCK PRODUCTS

Used in the manufacture of domestic and industrial air conditioning systems

EXTRUSIONS

Numerous applications and developing opportunities such as solar components

OUTCOMES AND CAPITAL TRANSFORMATION

Financial Capital

Equity: Equity capital book value R2.3 billion with a current market value of R0.4 billion. This indicator of impairment has been assessed on pages 137 to 139 of the report. Retained earnings for the current year has decreased by R171 million. No dividends declared in 2020.

Borrowings
Net debt: R818 million
Net interest cost:
R45 million
Cash generation
Net cash outflows from operating activities:
R360 million

Manufactured Capital

Our manufactured capital is subjected to wear-and-tear as finished goods are produced for sale to our customers to their quality specifications. Asset management and maintenance programmes are implemented to preserve the operating capacity and capability of our operations, resulting in a trade-off between manufactured and financial capital.

Production:
Rolled Products:
206 000 tons
Extrusions: 13 000 tons
Additions:
Rolled Products: R116.5 million
Extrusions: R23.7 million
Maintenance and repairs:
R274 million
Depreciation: R64 million

Natural Capital

During the manufacturing process Hulamin's impact on natural resources is as indicated below:

	2020	2019
Carbon footprint (CO^2e/MT)	**1.99**	1.73
Electricity consumption (KWh/MT)	**1 401**	1 203
Fuel gases intensity (GJ/MT)	**9.66**	8.13
Water consumption (Kℓ/MT)	**2.86**	2.67

Human Capital

Employee's competencies and capabilities are used in operating manufactured capital to produce finished goods for sale to our customers. Where required employees are provided with various self-development opportunities through the talent management and development programme, financial assistance for academic studies and an employee wellness programme. During the current financial year the group has shared R1.099 billion in value with employees through guaranteed and variable remuneration structures.

Intellectual Capital

R40 million of training in process engineering, shop floor skills, and engineering skills.

Social Capital

The group interacts with all stakeholders through a formalised stakeholder engagement process. The needs of stakeholders are identified and our strategic response is altered where required to respond to the material needs of our stakeholders. Through this the group continues to enhance the social and relationship capital it has established with stakeholders.

STAKEHOLDER ENGAGEMENT

GOVERNMENT

Who they are and how they contribute to value

Local, provincial and national government license us to operate and provide a supportive regulatory environment through tariffs and duties to level uneven regimes.

How we have engaged

- Online meetings and written correspondence through our Corporate Affairs Executive
- Virtual participation in industry forums including Aluminium Federation of South Africa and the Manufacturing Circle

Issues raised

Continual and responsible contribution to regional development through:

- Job retention and creation
- Transformation and empowerment
- Safer workplaces
- Healthy competition among business
- Energy consumption reduction;
- Environmental sustainability
- Investment in the economy

Strategic response

- Development of the Richards Bay hub to facilitate downstream development.
- Recycling initiatives to create employment opportunities and reduce energy consumption.
- The development of the Aluminium Beneficiation Initiative to identify and develop black entrepreneurs.
- Enterprise and supplier development programme to develop small, local, black owned enterprises into larger, more sustainable businesses that can participate more meaningfully in the local economy.

PROVIDERS OF FINANCIAL CAPITAL

Who they are and how they contribute to value

Shareholders, investment community, creditors and lenders who provide us with the financial capital required to sustain our growth.

How we have engaged

- Road shows and regular public announcements

Issues raised

Sustainable growth and return on investment through:

- Sustainable returns
- Supportive regulatory and business environment
- Future growth for the business

Strategic response

- Aggressively attack costs and develop cost-focused culture.
- Investing in capability and technical partnerships to develop new, higher value products.
- Improving free cash-flow generation to provide consistent returns to providers of capital.

CUSTOMERS

Who they are and how they contribute to value

Our customers are down-stream manufacturers in various industries including, packaging, general engineering, automotive and transport and building and construction. We are reliant on our customers and potential customers to sustain revenue-generation and growth.

How we have engaged

- Meetings and site visits

Issues raised

Reliable service, good quality products and competitive prices through:

- Long-term security of supply
- Consistent supply of high quality products
- Improved manufacturing capability and product range

Strategic response

- Secure metal supply through recycling facilities and the acquisition of the Richards Bay slab casthouse.
- Improve customer on-time delivery performance by re-engineering the sales and operations planning approach.
- Investing in digital to develop intellectual property for the assets of tomorrow.

SUPPLIERS

Who they are and how they contribute to value

Suppliers of metal and other products and service providers are important, as we are reliant on them to provide safe, good quality and good value products and reliable services that support growth.

How we have engaged

- Meetings and site visits
- Performance audits and reports

Issues raised

Continued growth of operations and relationships through:

- Long-term supply contracts
- Efficient payment cycles
- Joint improvement projects to reduce cost and improve efficiencies
- Joint initiatives to drive transformation in the supply chain

Strategic response

- Focus on enterprise development spend to grow small upcoming suppliers.
- Facilitating partnerships between established and emerging enterprises to allow for skills transfer.
- Establishment of supply contracts with performance management metrics.

EMPLOYEES

Who they are and how they contribute to value

Employees are the key underpin to achieve operational performance and objectives.

How we have engaged

- Covid-19 updates through social media
- Daily online health checks
- Home visits to Covid-19 positive patients
- Social media internal Covid-19 updates
- Microsoft Teams meetings with staff

Issues raised

Provision of gainful and safe employment through:

- Employment security during Covid-19 lockdown
- Safe working conditions to ensure Covid-19 protocols
- Remuneration and benefits during Covid-19 lockdown
- Remote working conditions

Strategic response

- Implemented Covid-19 safety protocols to ensure minimal transmission amongst employees during working hours
- Covid-19 Executive Committee daily meetings
- Employee share ownership plan
- Virtual meetings and daily Online check-ins

COMMUNITIES

Who they are and how they contribute to value

We build and nurture existing relationships, and create a conduit to better understand community needs and interests. This allows us to contribute to transformation, enterprise development and various corporate social investment initiatives.

How we have engaged

- Public meetings
- Community outreach programmes

Issues raised

Responsive contribution to community interest and needs through:

- Support for key community developments and activities
- Sponsorships and donations
- Employment opportunities
- Support for environmental initiatives

Strategic response

- Continued commitment to established CSI programmes.
- Reduced carbon emissions for a cleaner environment.

THE OPERATING ENVIRONMENT

Our business does not exist in isolation. As we compete in the global aluminium market (more than 60% of our goods are exported), we are exposed to market forces and developments beyond our borders. In this context, it is important that we understand:

- The drivers behind these dynamics and how they interact;
- Their implications for our business; and
- How we can best navigate them in the short-, medium- and long-term.

The analysis below, provides some insight into the key externalities that impacted the business in 2020.

1. South African aluminium industry

Issues	**Energy:** There is an inconsistent supply of energy, with cost increasing above inflation. **Local smelter:** Stable supply of local primary aluminium.
Drivers	**Electricity supply:** Electricity supply constraints remained a challenge in 2020. The inability of the local energy supplier Eskom to reduce and contain internal costs, and to minimise the pass-on to customers of the cost of new infrastructure, is creating the potential for high energy prices in the future. **Gas supply:** The commitment from relevant stakeholders to invest in a gas-pipeline to secure consistent, reliable and cost-effective supply to the Pietermaritzburg region has not been immediately forthcoming. **Local smelter:** Lower LME (London Metal Exchange) aluminium prices negatively impacted the local South 32 aluminium smelter. South32 has agreed a new long-term electricity deal with Eskom and awaits regulatory approval.
Implications	**Electricity supply:** Exorbitant energy price increases are having a negative impact on global cost competitiveness, which is eroding the margins earned and ultimately negatively affecting shareholder returns. Should energy supply remain inconsistent benchmark operational performance is unlikely to be achieved. **Gas supply:** The consistency of gas supply has a direct impact on the achievement of benchmark operational performance. **Local smelter:** South 32 are expected to secure a new long-term energy supply deal in the coming months, however, until this is finalised, uncertainty still exists.
Strategic approach	**Electricity supply:** The group has engaged, via the Energy Intensive Users Group (EIUG), with NERSA (National Energy Regular of South Africa) for reasonable price increases, in order to limit the erosion of margins and to remain competitive within the global environment. Hulamin's demand reduction operating plan is being implemented through a range of energy efficiency projects to reduce the internal consumption of energy. **Gas supply:** The group has diversified gas supply by converting certain lines to CNG (compressed natural gas) as an alternative source of energy. Discussions with a variety of stakeholders to secure a gas pipeline to the Pietermaritzburg region are ongoing. **Local smelter:** There is ongoing engagement with South 32 and key stakeholders to promote the growth of the South African aluminium industry and casting in Richards Bay. The use of aluminium scrap has been increased.

2. The South African economic and political environment

Issues	Domestic macroeconomic instability, low economic growth, rising public debt and unemployment. Weaker and volatile domestic currency.
Drivers	Despite the government's investment in economic reforms, these have not been sufficient to deal with some of the country's structural problems: the inefficiencies and poor financial state of state-owned enterprises, especially Eskom, the declining state of infrastructure and services, and reduced corporate and foreign investment. This has been exacerbated by the impacts of Covid-19, which is accelerating a synchronised global economic slowdown.
Implications	A weaker rand had a positive impact on the group's earnings before interest and tax in the short-term but have also negatively impacted currency sensitive costs, particularly materials. However, demand for Hulamin's products, particularly in the domestic market, and in sectors such as automotive, came under increased pressure as a result of the Covid-19 pandemic.
Strategic approach	The group completed a turnaround plan during the second half of 2019 in order to improve its resilience through lowering its cost base, exiting underperforming capacity, and reducing the market channel concentration risk in the USA. The group continued its execution of the turnaround plan in 2020.

3. Regional market development

Issues	Demand growth in the local market is low and competition from low cost country imports continued to increase to December 2020 when a 15% import duty was implemented for aluminium rolled products.
Drivers	Low economic growth and constrained local market demand for aluminium semi-fabricated products. Nationally, a reduced investment in and failure of key infrastructure in ports, roads, energy and water has impacted on economic growth. Declining global growth, particularly in sectors such as automotive. Increasing protectionist policies and global competition has seen increasing levels of imports of semi-fabricated aluminium in South Africa, prior to the introduction of a 15% import duty in January 2021.
Implications	Low domestic market demand has negatively affected the group's sales in the local market which, combined with a softer automotive market and demand shocks in the local can market due to alcohol bans during 2020 has had negative consequences on the group's revenue and profitability.
Strategic approach	The group continues to promote its value proposition in South Africa. Hulamin's application for import duty on rolled products supplied into South Africa was successful, with a 15% import duty being announced by the government in December 2020. This has resulted in a rapid rise in local market demand for Hulamin's products in 2021.

4. The global aluminium semi-fabrication market

Issues	**Market share:** Increased supply combined with weak demand has driven competition in global and local markets. **Trade policies:** Trade protectionism is increasing in key markets with many countries imposing or increasing import duties on aluminium rolled products.
Drivers	**Market share:** Global oversupply of aluminium semi-fabrication products driven largely by continued capacity investments in China. Investment in capacity exceeds demand growth leading to flat forecast utilisation rates over the long-term horizon. **Trade policies:** There is growing trend in protectionist trade policies around the world to support local manufacturing industries. Following the implementation of anti dumping (AD) and countervailing (CVD) duties against Chinese aluminium common alloy rolled products producers, the USA launched an AD/CVD investigation against 18 non-Chinese producers of common alloy, including South Africa in 2020. Final duties were announced in April 2021, with Hulamin's AD duty of 8.85% being relatively advantageous compared to many other large importers of common alloy into the USA.
Implications	**Market share:** In 2019, we developed and began implementing important turnaround plans in all operations. In Hulamin Rolled products, these actions centred around cost reduction, unblocking US market distribution and managing working capital. Good work started in 2019 and continued into 2020. **Trade policies:** Hulamin will gain an advantage over Chinese competitors for supply of common alloy into the US and European markets in 2021, however it has faced pressure in the local market and the EU from low-cost imports from China during 2020. This is set to improve, however, following the implementation of a 15% import duty on rolled products into South Africa from January 2021. **Downturn in global economies:** Low volumes in the first half of 2020 resulted in losses and cash outflows. Working capital is therefore again under pressure, in spite of maintaining inventory levels at approximately 47 000 tons (in Rolled Products).
Strategic approach	**Market share:** Continue to develop local and regional sales, including the promotion of local OEM type products. The group continues to increase volumes of key end user products such as can stock through various capacity improvement initiatives, has re-established direct sales channels in the US market to regain market share, and continues to focus on niche positioning in current high value products. **Trade policies:** Hulamin continues to focus on opportunities in export markets created by changes in relative trading conditions.

5. The global primary aluminium industry

Issues	In recent years, excess global capacity has placed pressure on marginal aluminium smelters due to lower prevailing aluminium prices. In Q1 2021, global economic recovery from Cvoid-19 and strong demand, combined with capacity curtailments in China due to energy consumption controls has cause a surge in primary aluminium pricing and metal premiums
Drivers	**Capacity in China:** Global capacity is impacted by excess capacity in China which results in supply exceeding demand, tempering the LME aluminium price. This trend reversed in late 2020 as global economies began to recover from Covid-19 and capacity in China was impacted by energy restrictions. **Geographic premiums:** Low metal premiums have persisted since mid-2015 and have placed additional pressure on marginal smelters. In 2021, high demand and tight supply has caused premiums in to increase sharply as well.
Implications	A declining LME aluminium price over the past few years has improved the competitiveness of aluminium semi-fabricated products and stable, relatively low, metal premiums provided stability in input costs and margins for rolled products producers. In 2021, high aluminium prices and regional premiums is creating uncertainty for aluminium semi-fabricators. Shifting global trade dynamics have increased uncertainty. Tariffs on US imports of Chinese aluminium could result in increased exports from China into other regions, while opening opportunities for other players in the US market. However, the recent duty investigation in the US on all importers of common alloy has increased uncertainty and volatility.
Strategic approach	The group will seek to grow its current proportion of high value products in the overall product mix to bolster margins and profitability. The development of new, higher value products will further be bolstered by increased focused investment in finishing capability and by maintaining a strong relationship with the group's current technology partners, consultants, industry experts and academic institutions.

SCENARIO ANALYSIS

Scenarios are developed over different time frames to measure the impact on Hulamin of key uncertainties as far as it relates to very specific focal points:

The methodology

Our scenario planning methodology is embedded in the risk management process and works to align business planning, budgeting, strategy development and strategy execution.

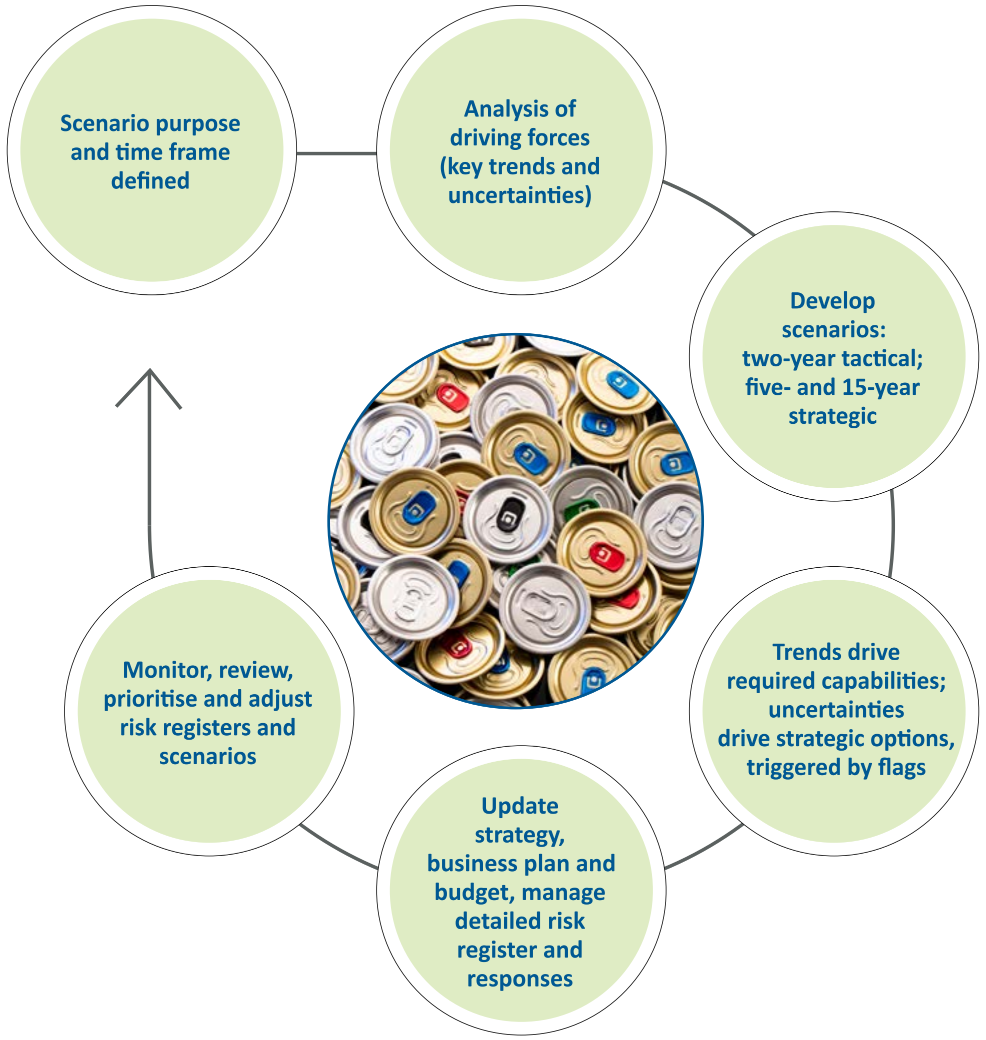
Hulamin uses two- and five-year scenarios to measure and manage the risk of not achieving its business plan objectives. Enhanced by 15-year scenarios, scenario planning is used to drive strategy development.

Short-term scenarios

How can Hulamin respond tactically to minimise risks to achieving its 18- to 24-month objectives and exploit opportunities and develop strategies to optimise execution of its five-year business plan?

Long-term scenarios

How will Hulamin add value to its stakeholders over the next 10 to 20 years?



The short-term scenario analysis

The uncertainty that Covid-19 and global trade tariffs presented to global economies, South Africa and Hulamin resulted in Hulamin developing a short-term scenario for 2021 to manage its risk and strategic options. Using the methodology mentioned above, the Executive Committee undertook a situational analysis to determine possible scenarios that could form the basis of Hulamin's external environment in the short term. For each identified scenario, the Executive Committee developed strategic options. As a group, we actively monitor how the future is unfolding to assess which scenario, or combination of scenarios, is becoming increasingly likely and how Hulamin can influence the outcome of each scenario for the benefit of all stakeholders.

DEMAND RECOVERY; PREFERENTIAL ACCESS TO MARKETS

GOVERNMENT IMPACT ON DIFFERENTIAL ACCESS TO MARKETS

SCENARIO 1 THE OPERATIONAL STRUGGLE

- Successive waves of Covid-19 infections continue to be experienced in South Africa through H1 2021. Vaccine only becomes available in H2 2021 or 2022. As a result, Hulamin continues to experience operational disruptions through H1 2021.
- USA, Europe and other key export markets did a better job of containing the spread of the virus in 2020 and their economies see relatively strong recovery through 2021.
- Local customer demand impacted somewhat negatively by their own operational disruptions. However, duty application is successful (15%), which allows Hulamin to win local market share.
- The AD/CVD investigation in the USA is concluded, with many of Hulamin's competitors experiencing higher duties than Hulamin – a relative advantage for Hulamin.

SCENARIO 2 STRONG RECOVERY

- Successful vaccine development in late 2020 results in limited disruptions to operations and key economies in 2021.
- Hulamin's application for local import duties was successful in 2020 (15%), which results in a gain in market share in key local product streams.
- The AD/CVD investigation in the USA is concluded with many of Hulamin's competitors experiencing higher duties than Hulamin – a relative advantage for Hulamin.

STRUGGLE TO OPERATE; MANNING A CHALLENGE; LOGISTICS DELAYS — HULAMIN'S ABILITY TO OPERATE AT DESIRED LEVELS IN 2021 — ABILITY TO OPERATE AS DESIRED; MANNING ADEQUATE AND LIMITED LOGISTICS DELAYS

SCENARIO 3 TOUGHER TIMES AHEAD

- Successive waves of Covid-19 infections continue to be experienced in South Africa through H1 2021. Vaccine only becomes available in Q2 2021. As a result, Hulamin continues to experience operational disruptions through H1 2021.
- Protracted social distancing measures across the world resulted in a wave of business closures in 2020, escalating unemployment levels, and a far slower economic recovery in 2021.
- Local and global demand for non-packaging aluminium FRPs remains relatively depressed in 2021.
- High unemployment levels in RSA result in an increase in social unrest and crime.
- The AD/CVD investigation in USA is concluded with many of Hulamin's competitors experiencing lower duties than Hulamin.

SCENARIO 4 MARKET CONSTRAINED

- Hulamin's belts and braces approach to protecting employee health, along with successful vaccine development, results in limited disruptions to operations in 2021.
- Impact of Covid-19 in 2020 on key economies results in depressed market demand through H1 2021. Demand slowly starts recovering through H2 2021.
- Global demand for can stock remains robust.
- Hulamin's application for local import duties was unsuccessful.
- The AD/CVD investigation in the USA is concluded with many of Hulamin's competitors experiencing lower duties than Hulamin.

WEAK DEMAND; HIGHLY COMPETITIVE; DISADVANTAGES IN KEY MARKETS

What this looks like in 2020 and 2021

The business plan that was drawn up in 2020 was informed by the strategic option developed for the "The Operational Struggle" scenario. Whilst demand shocks were experienced during 2020, many markets have begun to rebound in 2021 and Hulamin continues to trend towards the "Operational Struggle" scenario. The risks and issues listed below had the most material impact on the outcomes of the business in the 2020 financial year, and have continued to shape our short-term strategy for 2021.

2020

Issues

- Covid-19 impact on ability to operate (plant disruptions).
- Ban on alcohol sales.
- Fall-off in global demand in many industries.
- AD/CVD investigation in USA limiting ability to sell common alloy.
- Increased competition locally and in Europe as a result of USA AD investigation on common alloy imports.

Uncertainties

- Covid-19 impact on ability to operate in H2 2020.
- Funding and credit (liquidity).
- Covid-19 impact on demand in key export markets.
- Local import duty application outcome.

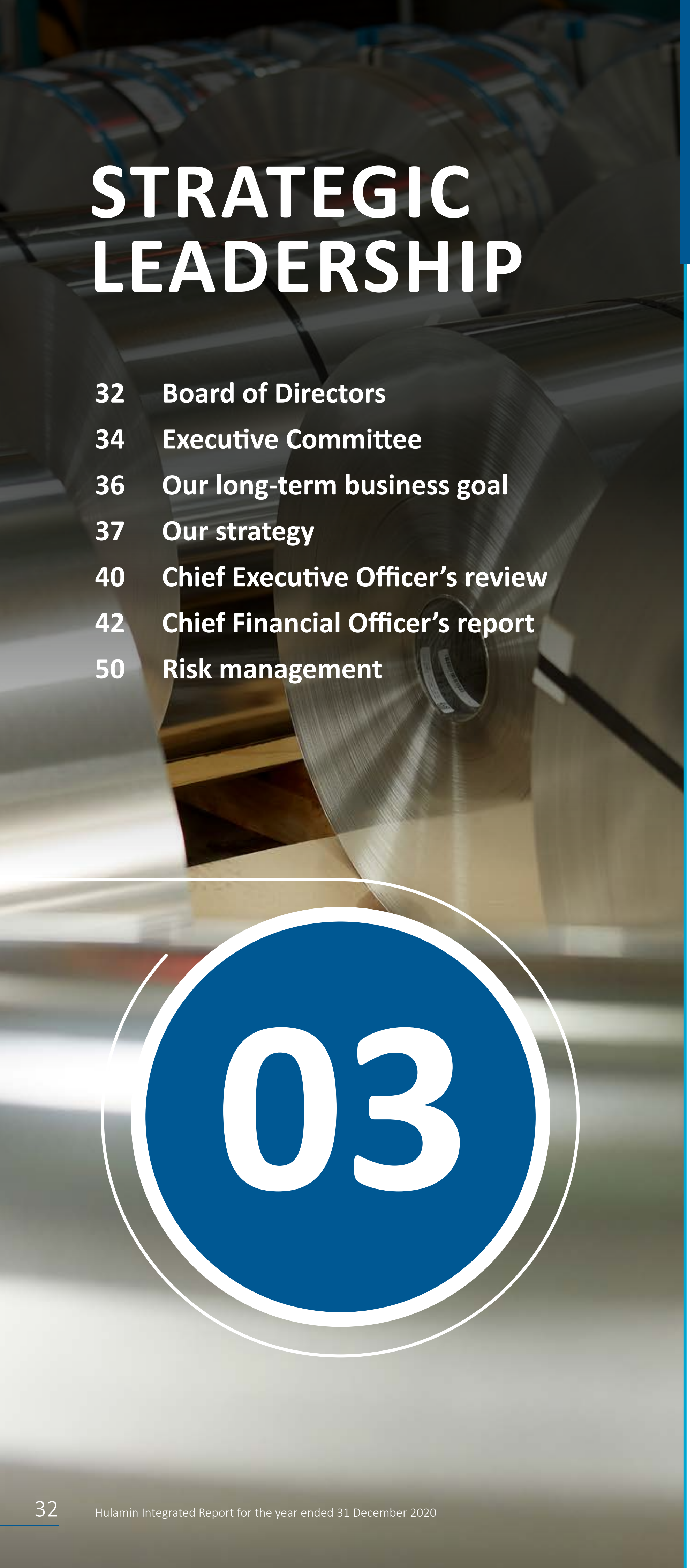
2021

Issues

- Automotive demand starting to recover.
- Hulamin relatively advantaged following USA AD duty outcome, and local market share increasing following local duty outcome of 15%.
- Operational performance negatively impacted by Covid-19 disruptions and associated equipment failures.
- Pace of recovery of global aerospace market – impact on HT plate sales.

Uncertainties

- Local import duties.
- Local demand recovery (especially can stock, CBS).
- AD/CVD investigation into common alloy imports into USA.
- Covid-19 impact on ability to operate in H1 2021.
- Environmental sustainability.



STRATEGIC LEADERSHIP

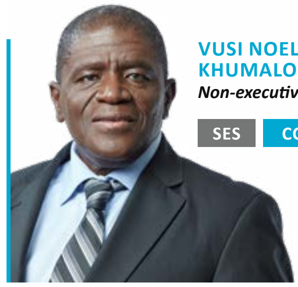
03

BOARD OF DIRECTORS

THABO PATRICK LEEUW (57)
Chairman of the Board
RC CC RN

RICHARD GORDON JACOB (55)
Chief Executive Officer
RC SES

CHARLES ALEXANDER BOLES (51)
Independent non-executive
RN AC

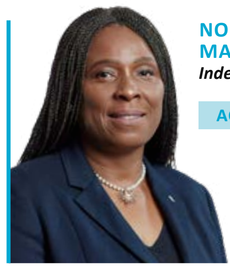


VUSI NOEL KHUMALO (58)
Non-executive
SES CC

ROBERT LENNART LARSON (66)
Independent non-executive
RC

ANTON PAUL KRULL (46)[1]
Chief Financial Officer
RC

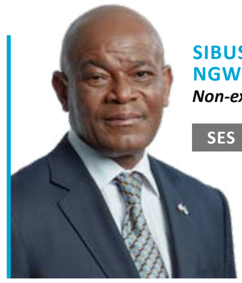
NARAN MAHARAJH (54)
Independent non-executive
AC RC CC



NOMGANDO MATYUMZA (57)[2]
Independent non-executive
AC RN CC

DR BONAKELE MEHLOMAKULU (48)
Independent non-executive
RC SES AC

MEGANATHAN GOUNDER (46)[3]
Chief Financial Officer



SIBUSISO NGWENYA (67)
Non-executive
SES

LAREN MICHAEL FARQUHARSON (48)[4]
Acting Chief Financial Officer
RC

GEOFFREY HAROLD WATSON (69)
Independent non-executive
RN RC CC

MOSES ZAMANI MKHIZE (59)[5]
MD: Hulamin Rolled Products
RC

GCINA CECIL ZONDI (47)
Alternative non-executive

The Hulamin Group Board of Directors provides strategic leadership to the group with due regard to all stakeholders. The Board is diverse in demographics, skills and experience and consists of 54% independent non-executive directors, 28% non-executive directors and 18% executive directors.

BOARD DEMOGRAPHICS

White male	45%
ACI male	46%
ACI female	9%

ACI: African, Coloured and Indian

Committees

- AC Audit Committee
- CC Chairman's Committee
- RN Remuneration and Nomination Committee
- RC Risk Committee
- SES Social, Ethics and Sustainability Committee

Note: Ages quoted are at 31 December 2020.
[1] Resigned as a director and Chief Financial Officer with effect from 31 October 2020.
[2] Resigned as a director with effect from 30 July 2020.
[3] Appointment as director and Chief Financial Officer with effect from 1 April 2021.
[4] Appointment as director and Acting Chief Financial Officer for the period 1 November 2020 to 31 March 2021.
[5] Resigned as director with effect from 28 February 2020.

EXECUTIVE COMMITTEE

RICHARD GORDON JACOB (55)
Chief Executive Officer
Joined Hulamin in 1990

ANTON PAUL KRULL (46)[1]
Chief Financial Officer
Joined Hulamin in 2008
Rejoined Hulamin in 2016

MEGANATHAN GOUNDER (46)[2]
Chief Financial Officer
Joined Hulamin in 2021

AYANDA MNGADI (46)
Corporate Affairs
Joined Hulamin in 2016

ZITHULELE GUMEDE (48)[4]
Portfolio and Investment
Joined Hulamin in 1991 and rejoined in 2017

CLAYTON FISHER (43)
Group Executive & Rolled Products Managing Director
Joined Hulamin in 2009

MARLENE JANNEKER (47)
Human Capital
Joined Hulamin in 1995

LAREN MICHAEL FARQUHARSON (48)[3]
Acting Chief Financial Officer
Joined Hulamin in 2004 and Rejoined in 2015

MOSES MKHIZE (58)[5]
MD: Hulamin Rolled Products
Joined Hulamin in 1982

The Executive Committee is responsible for delivering the strategic objectives as set by the Board of Directors. The Group Executive Committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and four other suitably skilled and experienced members of senior management.

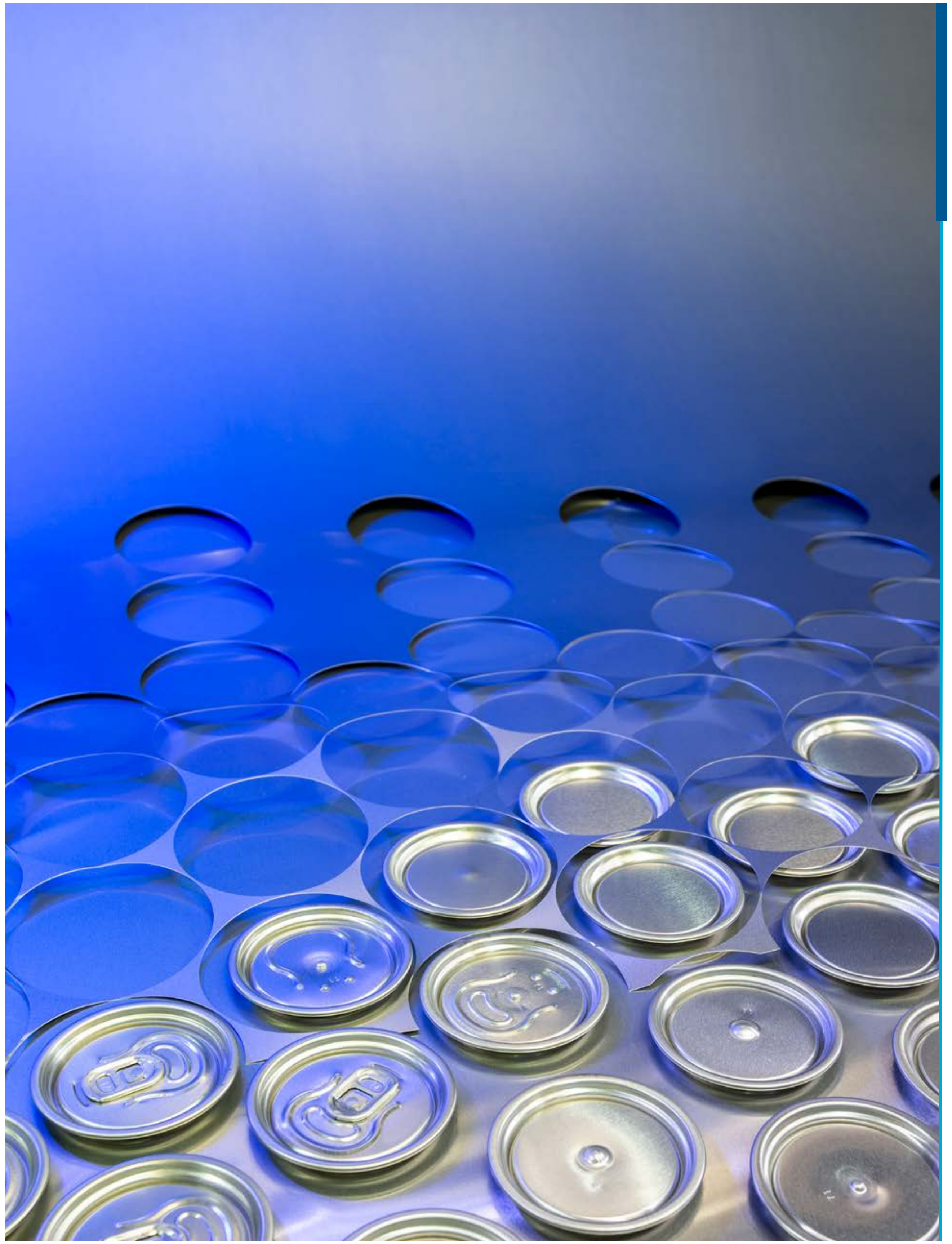
EXECUTIVE DEMOGRAPHICS

White male	50%
ACI male	17%
ACI female	33%

ACI: African, Coloured and Indian

Refer to our website at www.hulamin.co.za for a detailed résumé of the Board of Directors and of the Executive Committee.

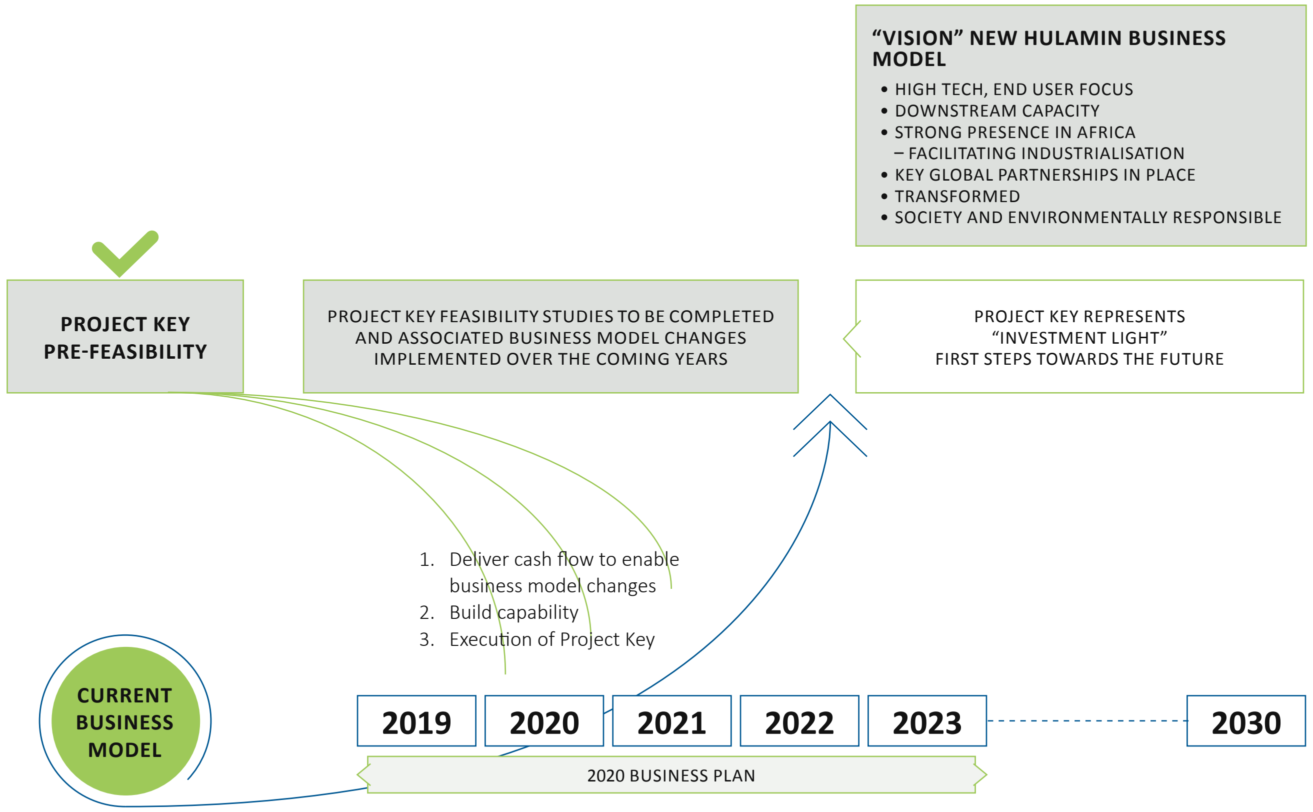
Note: Ages quoted are at 31 December 2020.
[1] Resigned from Hulamin with effect from 31 October 2020.
[2] Appointment as Chief Financial Officer and director 1 April 2021.
[3] Appointed as Acting Chief Financial Officer for the period 1 November 2020 to 31 March 2021.
[4] Appointed as Executive Committee member with effect from 19 March 2020.
[5] Resigned as director with effect from 28 February 2020.



OUR LONG-TERM BUSINESS GOAL

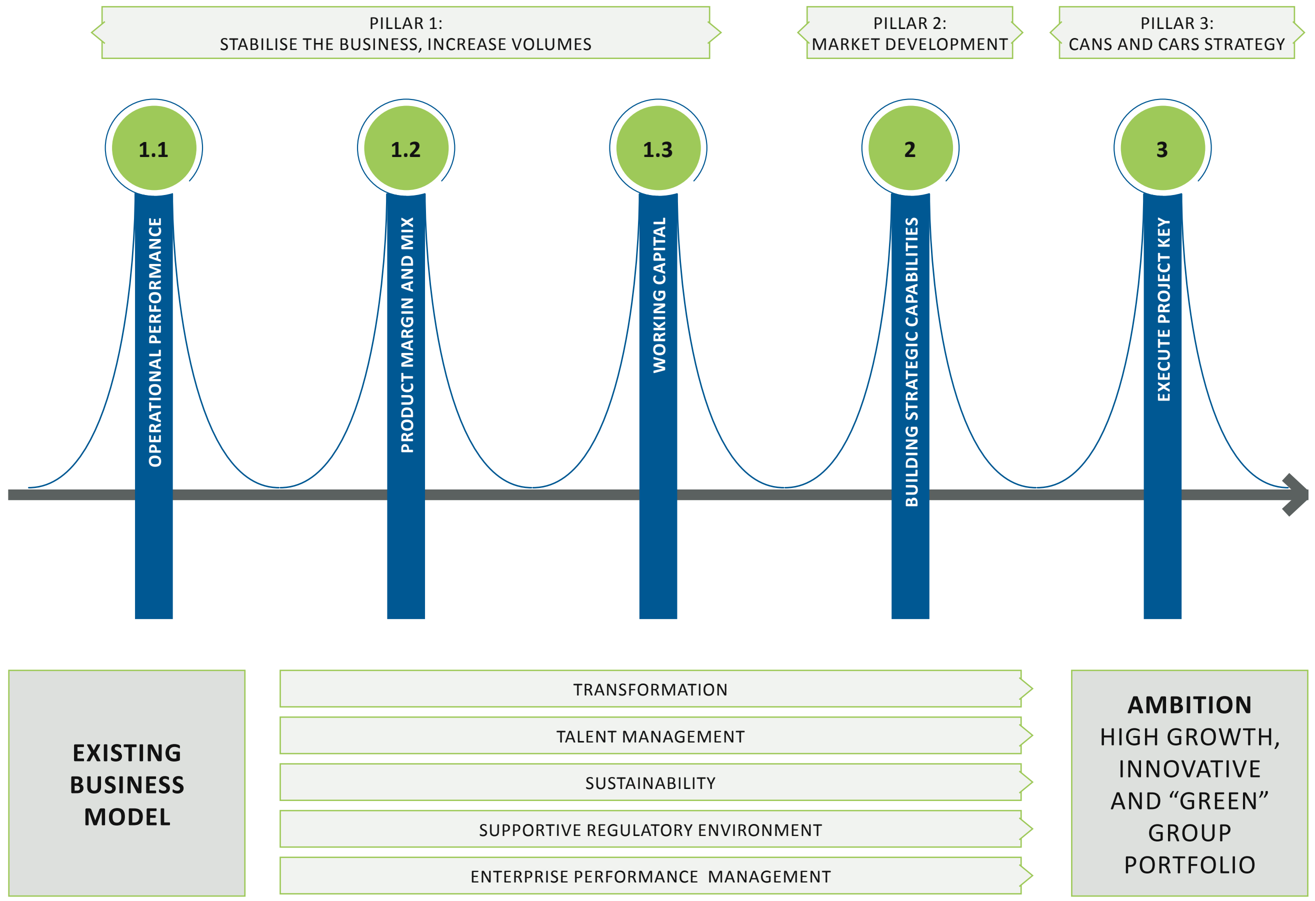
Our long-term business model changes are closely linked to our Vision Pillars as illustrated on pages 24 and 37. Specific growth areas targeted via "Project Key" are as follows:

1. Rolled Products simplification and focus on "cans and cars"
2. Can stock sales growth through agency/technical service operation
3. Downstream integration into higher value fabrication
4. Expand manufacturing into Africa based on the availability of scrap



OUR STRATEGY

Our strategy is based on three strategic pillars and five key enablers. The strategic pillars reflect the pathway to growth through; (1) generating cash to earn the right to invest; (2) developing capabilities to succeed in new products/markets; and (3) investing in new business models (Project Key).
The key enablers represent the most essential tools we need to successfully implement these pillars to create value for all stakeholders.



OUR STRATEGY CONTINUED

Strategic pillars

Pillar 1:
Stabilise the business increase volumes

- Entrench and build on 2019 turnaround actions
  - » cost reduction
  - » working capital
  - » USA route to market
- Re-build the volume momentum in the business following Covid-19 disruptions and demand shocks
- Drive market development actions – identify and deliver alternative sales opportunities as mitigation to potential downside scenarios and to uplift margins
- Maximise canstock production
- Defend AD case in USA
- Execute key maintenance activities in whilst volumes are low

Pillar 2:
Market development, improve mix

Business capability refers broadly to the ability of the group to deliver on its strategic objectives. Business capability consists of people, processes and systems that need to work in synergy to ensure successful delivery of Hulamin's longer-term vision under any unfolding scenario.

1. **Technology research and innovation**

   Hulamin seeks to foster a strong innovation culture by working closely with customers, suppliers and partners; and co-creating and investing in new innovative products through the use of relevant technologies to enhance skills development, process capability and product development capability.

2. **New product development**

   The group is investing in additional research and development capabilities to stimulate the development of innovative new products that will assist in improving margins and volumes in new growth segments.

3. **Digital transformation**

   Hulamin is undertaking a digitalisation strategy process that will seek to leverage emerging technologies that are collectively referred to as "Industry 4.0".

Pillar 3:
Cans and cars strategy implementation

With increasing global competition in aluminium rolled products, a significant shift is required in the manner in which Hulamin operates if it is to achieve a step change in margin realisation in the future. Supported by improving free cash-flow generation and investment in strategic capabilities, Hulamin seeks to implement a new strategic business model that includes:

- Product range simplification and a focus on niche, higher-value product types;
- Partnering with low-cost operators to supply sub-Saharan Africa and global markets in the beverage can and packaging segments, leveraging the Hulamin brand;
- Investment in downstream manufacturing capabilities to secure niche market segments;
- Harnessing the power of scrap metal to expand the manufacturing footprint into Africa; and
- Investing in the business of the future.

Key enablers

1 Transformation

Transformation is a key enabler to the business strategy. Hulamin is increasing its preferential procurement score and enterprise supplier development programmes as well as focusing on its skills development, employment equity and ownership objectives.

2 Talent management

The Hulamin Talent Programme (H-TUP) journey provides Hulamin with an intimate knowledge of talent capabilities and gaps, enabling strategic talent decision making in a socio technology disrupted world where people and skills become the ultimate differentiator.

Hulamin is reshaping its approach to managing talent, through stimulating our leadership thinking and enabling our ability to utilise talent optimally as well as to extract more from our people.

3 Environmental sustainability

Globally, corporates, consumers and governments are becoming more aware of and concerned with environmental sustainability and carbon footprint. This is causing rapid trend shifts globally towards "greener" technologies such as renewable energy sources, electric vehicles and recycling. Hulamin has established an Environmental Sustainability Committee to consider these various issues and has developed an environmental sustainability strategy and policy to address these various emerging requirements.

4 Supportive regulatory environment

Strategic positioning of Hulamin as a brand, a strategic player and key partner in the Aluminium Value Chain in South Africa is a crucial requirement to compete in a globalised world. The development of a transformational Aluminium Agenda for the country as a key contributor to the GDP and a creator of sustainable jobs in and around local communities is core to our collaboration with DTI and government.

5 Information Technology

Information technology (IT) is used within the context of business operations to support accuracy, effective communication technology and information system for decision making, standardising business processes and ensuring effective controls for the execution of the business plan.

Three key elements of Hulamin's IT enablers are cyber security, digitalisation and enterprise resource planning (ERP).

The cyber security programme mitigates the risk of cybercrimes whilst the digitalisation programme seeks to leverage new emerging technologies collectively known as "smart factory or industry 4.0".

ERP systems integrates varied organisational system and facilitates error-free transactions and production, thereby enhancing the organisation's efficiency.

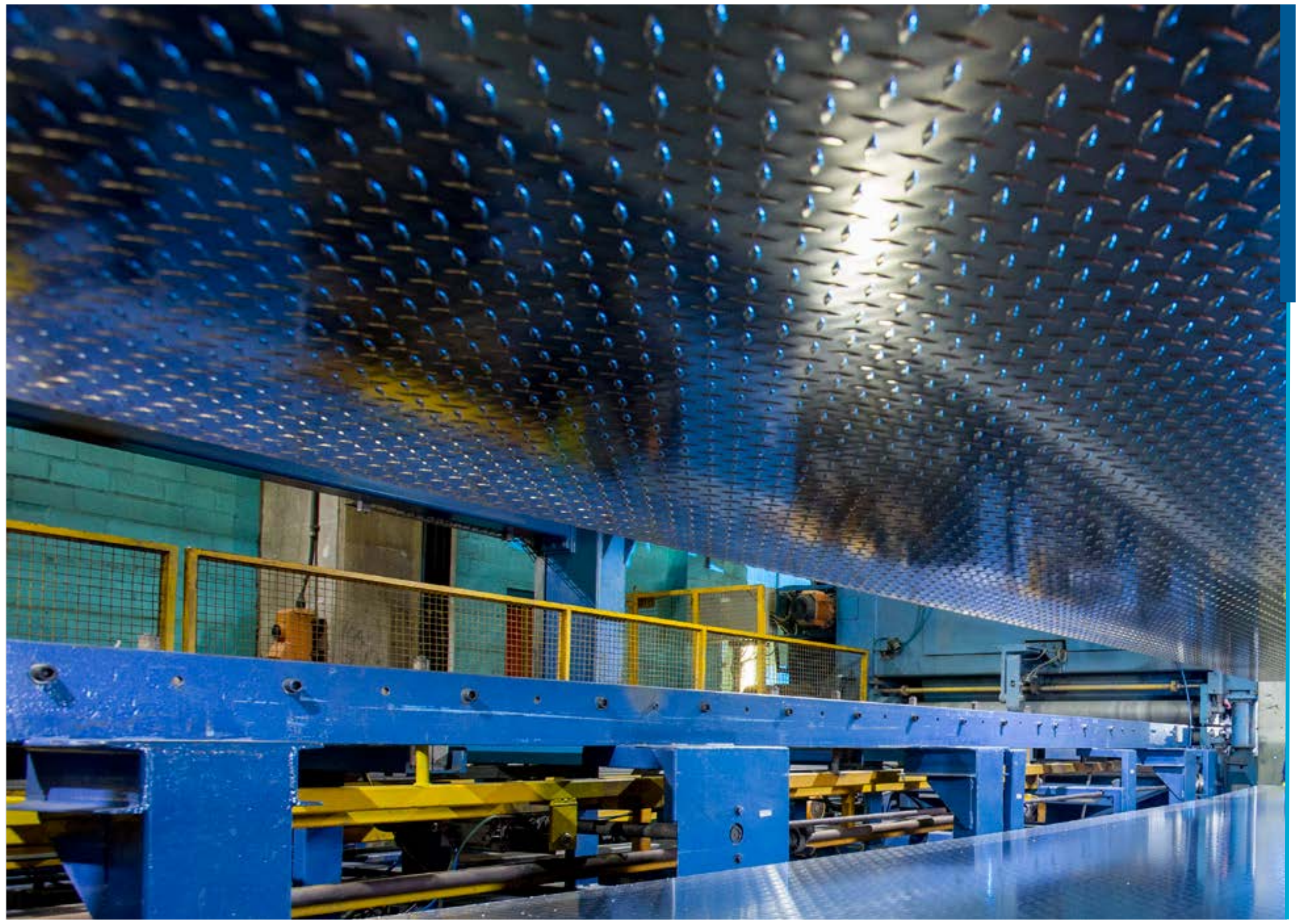
Continued execution of the 2019 turnaround plan

In May 2019, a demand shock in Rolled Products arising from overstocking in the US market, and particularly in Hulamin's sales channel, combined with a machinery breakdown and deteriorating performance in Hulamin Extrusions, resulted in the board requesting a turnaround plan with the following objectives:

1. Restore the business profitability
2. Establish control over working capital
3. Lay the platform for achieving medium-term cash generation
4. Stabilise and fill the US order build

This affected Hulamin Rolled Products, Extrusions, Containers and Isizinda. The key levers were:

Turnaround levers	Description
Costs	• Manpower cost – The focus was on employee headcount and the utilisation of contractors and consultants. • Non-manpower cost – The focus was on reducing costs in various categories such as, energy, rolling oil, melt loss and logistics.
Sales and margins	Improve order book by executing a direct route-to-market strategy.
Working capital	A focus on receivables and inventory optimisation.
Extrusions rationalisation	After considerable evaluation of alternative business models for Hulamin Extrusions, there was a decision to rationalise the business by: • Closing the Olifantsfontein operation. • Consolidating operations in Pietermaritzburg and focusing on a more strategic mix.



CHIEF EXECUTIVE OFFICER'S REVIEW

Background and introduction

Hulamin started 2020 facing multiple headwinds. Following disruption to the USA market supply chain in 2019, this was soon followed by news of a pending anti-dumping case being filed by the US aluminum Association. Simultaneously, news emerged of the outbreak of a bird-flu-like pandemic in Wuhan, China. Although the spread took some months, both to take effect as well as for countermeasures to be implemented, 2020 very quickly became the year of Covid-19. Initially, Hulamin markets in the EU were affected. Within one to two months, the pandemic had spread throughout the world, and by late-March, the South African Government had imposed severe lockdown regulations. These included a prohibition on the sale of alcohol, curfews, travel bans and other actions that directly and indirectly negatively impacted Hulamin's operations.

The Covid-19 pandemic and the disruption it elicited, obstructed and slowed down Hulamin's turnaround plan implementation. In spite of this, all operations returned to operating profitability by the fourth quarter. Particularly good and improved performance came from Extrusions and Containers. Despite our return to operating health being temporarily derailed, it is pleasing to see the resilience shown by the Hulamin team in maintaining progress.

Operational review

Although the Hulamin team had managed to quickly reestablish USA customer relationships and demand for Heat Treated Plate, our common alloy distribution channel only started being effective early in 2020. Preliminary indications of an anti-dumping case against importers into USA concerns to our customer base who had already experienced supply interruptions. First quarter volumes therefore remain constrained, in line with 2019.

Hulamin Extrusions continued implementing its turnaround plans having closed operations at its Olifantsfontein site in late 2019. Concurrently, we put a new management team in place. During Q1, this team started implementing the range of improvements anticipated in the turnaround plan, upskilling employees and reintroducing routines and disciplines that had been allowed to fall away.

By the end of March, the President had declared a national disaster in terms of the National Disaster Management Act of 2002. Within a week, Hulamin Rolled Products had secured CIPC authority to operate at 50% capacity, although this proved impossible. With the ports closed due to the lockdown, this affected 60% to70% of Hulamin products. Hulamin Extrusions closed for approximately five weeks until lockdown restrictions were lifted sufficiently (its products failed to fall into the essential services categories). As a consequence, Q2 volumes were again disrupted, with the direct impact on profits and cash flows.

By the beginning of April, the port of Durban had reopened for trade and international demand was improving. Local demand had by now suffered a major fall-off, in line with global markets. The alcohol ban, general risk aversion, a significant drop in economic activity and general reversion to essential services all contributed to lower group sales in the first half.

Following an exceptionally slow first half, operations began to pick up momentum in the second half. Hulamin Rolled Products quarterly annualised volumes started the year at 153 000 tons, followed by 112 000 tons in the second quarter, then improving to 166 000 tons and 184 000 tons by the final quarter. The final annual volume of 155 000 tons, although approx. 25% to 30% below recent performance.

In 2019, we developed and began implementing important turnaround plans in all operations. In Hulamin Rolled products, these actions centred around cost reduction, unblocking US market distribution and managing working capital. Good work started in 2019 and continued into 2020, allowing cost reduction targets to be achieved and distribution channels to be rebuilt. Cost reductions in excess of R450 million were achieved in 2020, while our direct route to market strategy has resulted in margin improvement and a full order book by year-end. Low volumes in the first half of 2020 resulted in losses and cash outflows. Working capital is therefore again under pressure, in spite of maintaining inventory levels at approximately 47 000 tons (in Rolled Products).

Challenges remain for Hulamin Rolled Products. In the short term, these focus on plant stability and throughput, while ensuring that inventory and working capital are optimised. With the reduction in costs, a return to full volume indicates good profit opportunity. In parallel, automotive market development activities are planned to improve the mix of higher value products.

Hulamin Extrusions' turnaround plan centered on consolidating the Olifantsfontein operating into the Pietermaritzburg site. Although this reduced available capacity and therefore revenue, the resulting cost savings indicated a noticeable improvement in profitability. In the first half of 2020, low volumes and residual costs arising from the Olifantsfontein site contributed to a loss being reported at half-year. However, increases in efficiency, productivity and market demand supported the ongoing turnaround, and the performance of Hulamin Extrusions in the second half evidenced the success of the turnaround plan, R60 million cost saving and its implementation.

Financial performance

Group sales volumes in 2020 were 24% lower, at 166 000 (2019: 219 000 tons); Rolled Products' sales declined by 24% to 155 000 tons (204 000 tons in 2019). Hulamin Extrusions volumes also declined. Group turnover totalled R8.6 billion, which is 20% lower than the R10.7 billion recorded in 2019.

The London Metals Exchange price of aluminium, which mainly affects working capital and metal price lag, firmed from USD1 770 per ton at the end of 2019 to USD2 018 per ton at the end of 2020. A metal price lag profit of R112 million was therefore recorded in 2020 (2019 loss: R68 million). The Rand price of Aluminium rose by 18% by the end of 2020. When combined with lower availability of customer supply chain finance in a year of tight liquidity, net working capital ended R429 million higher than 2019. Capital expenditure was reduced to R140 million (from R311 million in 2019).

Hulamin's inventory hedging programme is designed to remove volatility in earnings when the value of aluminium rises and falls, to more accurately reflect the operating performance of the business. While smoothing profit performance, this hedging programme, by its nature, introduces cash flow volatility.

As a result of the cash outflows in the first half of 2020, the board resolved to suspend the metal price hedging programme to protect the balance sheet and borrowings covenants.

Turnover declined by 20% and volumes by 24%. Freight and commission costs reduced by 24%, in line with volume. Aluminium and other material costs declined largely in line with turnover by 25%. After excluding impairment charges from the prior year, other expenses decreased by 13% largely assisted by the manpower and other cost reduction actions that started in 2019. Total manufacturing costs in 2020 were approximately R460 million lower than in 2019.

Headline loss improved to R210 million from R240 million in the prior year.

Turnaround actions

Commencing in 2019, Hulamin Rolled Products implemented a turnaround plan with the following goals:

- Cost reduction. Approximately R300 million annual savings.
- Rebuild the USA route to market (distribution channel), following the breakdown of the exclusive agency arrangement. This action was designed to access customer demand for Hulamin products in the USA and thereby ensure that Hulamin Rolled Products has sufficient orders for full capacity utilisation.
- Inventory reduction. From holding excess inventory during 2019, Hulamin has reduced and maintained inventory levels during the height of the Covid-19 crisis.

The local and global Covid-19 crisis impacted local and international demand as well as our ability to maximise plant throughput and capacity utilisation.

In Hulamin Extrusions, following two volume disrupted years and the consequent losses and cash outflows, we developed a turnaround plan focusing on cost reduction. It became clear during this investigation that the costs associated with running two sites exceeded the value that a two-site operation brings. Consequently, the turnaround actions in Hulamin Extrusions comprised the following:

- Close the Olifantsfontein operation, eliminating all associated costs
- Maximise volume in Pietermaritzburg, thereby improving profitability and cash flows (slightly lower volume at significantly reduced cost).

Following the Olifantsfontein plant closure in late 2019, a number of assets, dies and personnel were transferred to Pietermaritzburg. Although the site was closed, a number of residual costs remained, compounding the trading losses incurred in the first half of 2020. Early in 2020 the site was put on the market and an agreement of sale concluded in Q2, and transferred early in 2021. Hulamin Extrusions has shown a pleasing return to profitability following the successful implementation of its turnaround plans.

Farewells

In 2020, we unfortunately had so say goodbye to a number of key people in the Hulamin team. We pride ourselves in retaining key talent, and therefore departures are somewhat rare, sad events. Retiring from the board, we sadly are forced to say "God-speed" to Nomgando "Mfundisi" Matyumza, whose warmth and insight served the company to great effect. We will most certainly miss her affectionate and engaging personality, having been particularly close to the executive in her duties as Chairman of the Remuneration and Nomination and Audit Committees. My executive colleagues and I will sorely miss her.

Moses Zamani Mkhize served as Managing Director of Hulamin Rolled Products until his retirement in February 2020. Having worked himself up through the ranks from apprentice electrician, Moses joined the Hulamin Board as an executive director on listing in 2007. We will all miss his deep insights, incredible operational experience and gentle demeanour. We wish him all the best in the next phase of his life.

Anton Krull served as Chief Financial Officer with passion and diligence since 2016 until his resignation in mid-2020. Prior to that, he served as Financial manager for approximately 10 years. We will miss his insights, conservatism and strategic wisdom as he furthers his career in the United Kingdom. We look forward to our new CFO, Mark Gounder, who joins Hulamin from 1 April 2021, bringing his experience, insights as well as his broad range of skills and talents. We thank the Board and Nomination Committee for their prioritising this appointment.

Having served as Company Secretary for 17 years, Willem Fitchat has indicated his desire to retire and to make way for new talent. I am looking forward to the arrival of Sharon Ramoetlo, who has also served on a number of boards in both the private and public sectors, has agreed to make herself available as Company Secretary.

Metal supply

Hulamin and South32 signed a five-year agreement in 2015 for the supply of molten and solid ingot aluminium. This was to supply operations in Richards Bay and Pietermaritzburg. Negotiations progressed constructively, culminating in Hulamin and South32 signing conditional agreements for the period 2020 to 2028 with mutually acceptable and similar commercial terms to the previous agreement, with several improvements designed to improve operational efficiencies for both parties.

A critical outstanding condition was the finalisation of electricity supply agreements between Hillside and Eskom. In 2020, delays in mandating the National Energy Regulator of South Africa (NERSA) prevented this agreement from becoming unconditional. We look forward to moving from the existing temporary extensions (now in place until July 2021), to the full agreement coming into force now that the required changes to legislation to allow NERSA to evaluate the agreement and move on to the required approval.

Prospects

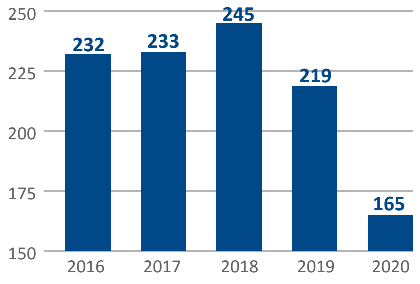
The turnaround actions that were started in 2019 have largely been concluded. We expect that the disruptive effect of the Covid-19 pandemic to slowly dissipate during 2021, particularly as global vaccine rollouts take effect. Order books are healthy in both Hulamin Rolled Products and Hulamin Extrusions. Should the economic environment remain stable in 2021, we expect that the return to profitability will continue. Although many cost reduction efforts have been successfully implemented, the full benefits have been obscured by the firmer Rand. The return to full capacity will be also interrupted by a planned maintenance shutdown in the second quarter that will include necessary upgrades to plant and equipment.

CHIEF FINANCIAL OFFICERS' REPORT

Key messages

- **Loss per share of 75 cents improved by 81%**
- **Headline loss per share of 68 cents** compared to HEPS of 76 cents in prior year, after losses on excess hedged positions
- **Sales volumes down by 24%,** impacted by Covid-19 pandemic
- **Free cash outflow of R485 million** on higher Rand price of aluminium, with lower capital expenditure
- **Balance sheet protected,** although debt/equity rose to 35%

GROUP SALES VOLUMES ('000 tons)



Overview

Following three years of improving operational performance, sales volumes declined in 2019 due to market disruptions and a mechanical breakdown. 2020 saw disruption chiefly from the Covid-19 pandemic that included the ban on local alcohol sales and its impact on the beverage can market.

The Rand was 14% weaker against the US Dollar, averaging R16.45 versus R14.45 in the prior year.

The favourable effect of the weaker currency was counteracted by the reduced sales volumes and lower unit conversion fees. The resultant gross margins before manufacturing and other costs were down by 17%.

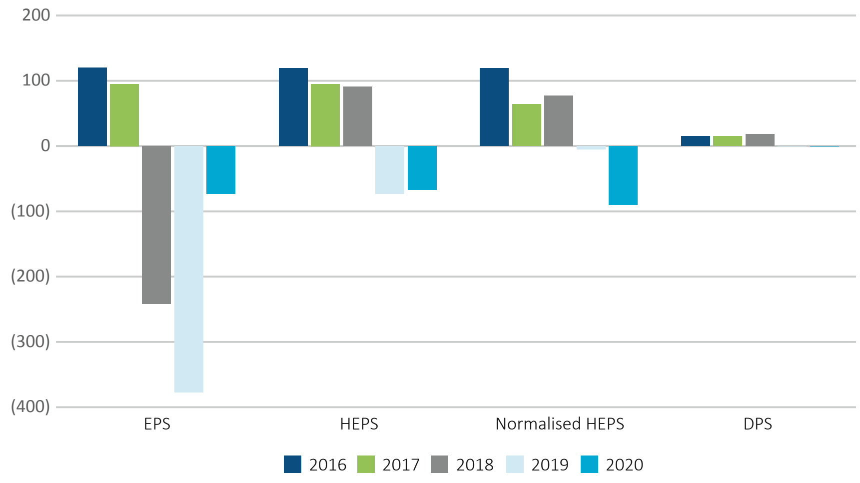
Although mostly fixed in nature, interventions and ongoing cost saving initiatives lowered manufacturing costs by 19% (lower by 13% before depreciation) despite inflation and a weaker Rand.

This resulted in a 128% decline in normalised EBITDA[1] to a loss of R89 million (2019: profit of R313 million). Normalised headline earnings per share ("HEPS")[1] decreased to a loss of 91 cents (2019: loss of 8 cents), while HEPS improved to a loss of 68 cents (2019: loss per share of 76 cents).

In addition to the Covid-disrupted market and operations, EBITDA and headline earnings were impacted by the following items:

- a positive metal price lag of R112 million (2019: loss of R68 million), resulting from the rise in the Rand aluminium price during 2020;
- restructuring costs of R13 million (2019: costs of R114 million), resulting from programmes initiated during 2019;
- the Covid-related sharp fall in sales volume created excess hedged positions which, when coupled with the rapid weakening of the ZAR against the USD, resulted in a loss of R114 million; and
- the group had both assessed losses and deductible temporary differences for which a deferred tax asset was not recognised due to uncertainty around whether future taxable temporary differences and taxable profits would be sufficient to absorb the tax asset.

EARNINGS PERFORMANCE (cents per share)



Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer summarised financial statements note 2.1(b).

A loss per share of 75 cents was recorded in 2020, which is an improvement of 81% over the loss per share of 380 cents recorded in the prior year. An impairment charge of R1.3 billion (before tax) was recorded in the prior year as against a charge of R8 million in the current year.

Intermittent restrictions on alcohol sales, that were part of the domestic Covid suppression measures, caused the local beverage can market to be particularly hard hit during 2020. In addition to the negative effect on earnings, Hulamin experienced upward pressure on working capital from the resultant shift towards exports and the pressures on domestic customer liquidity. Equally significant was the increase in the Rand value of aluminium by 15%. To protect liquidity, the increase in working capital was partly countered by reducing capital expenditure by R171 million compared with 2019.

These factors resulted in cash outflows before financing activities (free cash flow) of R485 million (2019: inflows of R222 million which included a R208 million customer late-receipt in respect of the 2018 year). This caused the group to increase its net debt by R546 million to R819 million, which includes lease liabilities of R68 million recognised in terms of financial reporting standards. Net debt to equity increased by 24% to 35%.

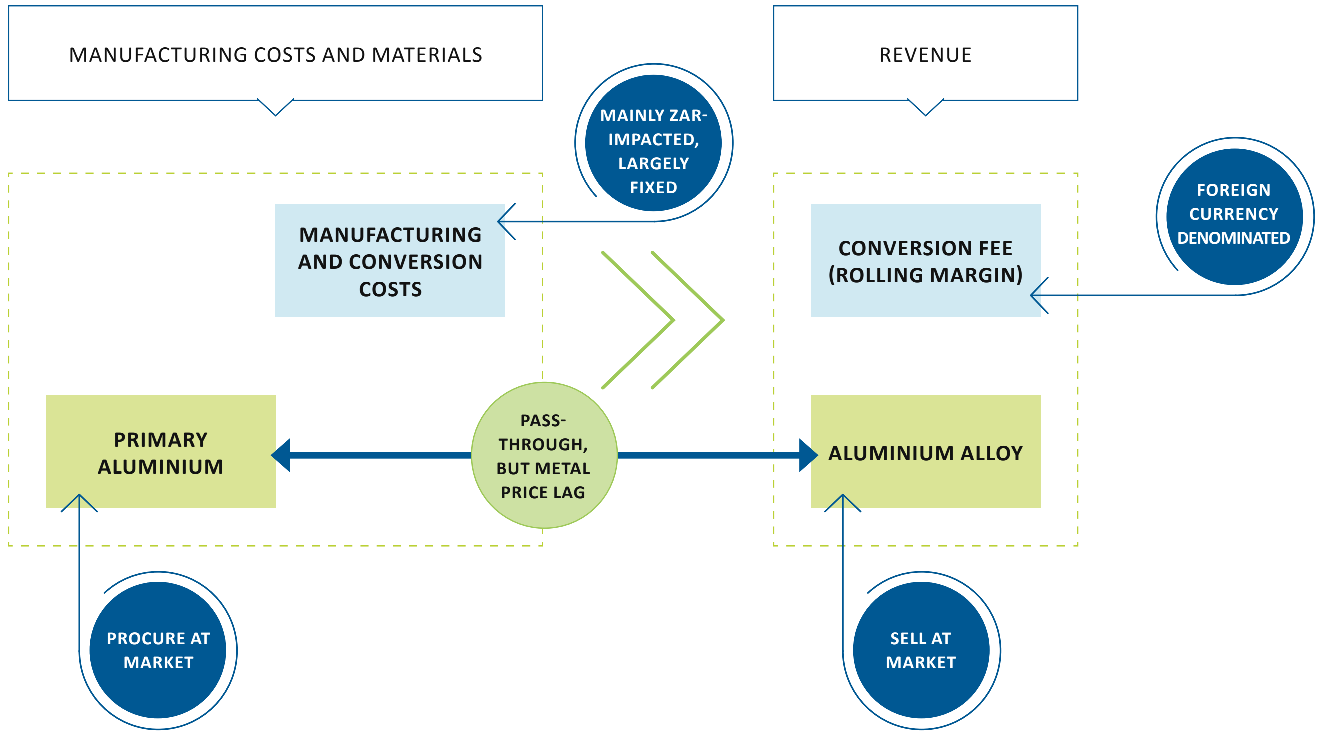
Due to both the poor financial performance in 2020 and the uncertain outlook, no dividend has been declared for the 2020 financial year (2019: nil).

Key drivers of financial performance

Hulamin purchases primary aluminium and converts this into rolled or extruded aluminium products. It sells the aluminium component of its products and, in addition, earns a conversion margin as compensation for its costs of casting, rolling, extruding and finishing its various products.

Hulamin's manufacturing costs are largely Rand-denominated and fixed in nature, whereas Hulamin's conversion fees are largely foreign currency denominated.

The cost of aluminium is largely a pass-through, however the time lag between procurement and invoicing results in a metal price lag impact on profit and loss as metal is procured and sold at prevailing market prices.



CHIEF FINANCIAL OFFICERS' REPORT CONTINUED

In order to assess the impact of the external environment on Hulamin's business, it is important to understand the key factors that impact our financial performance:

Driver	Impact on value creation	Current period	Response and hedging strategy
Currency levels and volatility	• Hulamin's profits are highly sensitive to currency levels as the group's conversion margins, particularly in its Rolled Products segment, are largely US Dollar and Euro denominated, whilst the group's manufacturing costs are largely Rand-based. • A large proportion of receivables are foreign-denominated. Hulamin is also exposed to foreign denominated trade creditors and import transactions, notably hardeners and capital expenditure.	• The Rand weakened 14% against the US Dollar from an average of R14.45 in 2019 to an average of R16.47 during 2020. • The Rand was 13% weaker against the Euro from R16.18 on average in 2019 to R18.26 on average during 2020.	• Consistent with 2019, Hulamin entered into zero-cost collar transactions on its foreign-denominated conversion margins net of currency-sensitive costs. This targets around 60% of Hulamin's exposure. This hedging strategy is put in place to secure a floor to the currency levels whilst providing some exposure to increased levels of weakness. A sharp fall-off in underlying demand in 2020 combined with extreme currency volatility to result in hedge losses. • The group hedges its currency exposures on foreign denominated receivables and payables from invoice date to expected receipt or payment date; and on import transactions from the date of commitment. This hedging is by way of forward exchange contracts.
Volatile product markets	• Hulamin's profits are highly sensitive to sales volumes and conversion fees, due to its high proportion of fixed costs. • These are impacted by the mix of products produced and sold and the demand/supply dynamics of geographic markets and industry segments into which these products are sold. • In turn, these are impacted by the macroeconomic environment, geo-politics and tariffs, and trade flows.	• Domestic restrictions on alcohol sales lead to a significant decline in the local beverage can market. • The automotive market continued to be soft during the period both in volume and conversion fees. • However, export demand for Hulamin's can stock products proved resilient.	• A 15% domestic duty on imported rolled products was announced on 31 December 2020. • The preliminary finding of the anti-dumping petition on common alloy aluminium imported into the USA is relatively favourable for Hulamin. The final ruling will either confirm this position or will cancel all preliminary findings should it be found that the US aluminium rolling industry has not suffered any harm.
Level and volatility of the aluminium price (currency and commodity price risk)	• The price of aluminium purchased by the group and sold to its customers is typically based on the average US Dollar London Metals Exchange ("LME") aluminium price in the month prior to the month of delivery. • It usually takes about three months to produce and invoice the semi-fabricated products sold to customers and during this period the quoted LME price may increase or decrease. • Similarly, the Rand fluctuates against the US Dollar during this period, resulting in the purchase price of aluminium in Rand differing from the price realised upon sale. • On an unhedged basis, this can result in a high level of profit volatility as metal pricing in cost of sales, based on an inventory FIFO valuation, is misaligned with metal pricing in sales. • However, there is a low level of cash flow volatility as monthly sales and purchases typically align in both pricing and volume.	• The London Metals Exchange price of Aluminium weakened from USD1 800 per ton at the end of 2019 to USD1 978 per ton at the end of 2020. The annual average declined 5% from USD1 792 per ton in 2019 to USD1 702 in 2020. • The average Rand aluminium price, a closer indicator of metal price lag, increased 8% from 2019 to 2020.	• The group uses derivative instruments, forwards and swaps to reduce these profit and loss exposures. The group applies a policy of hedging 50% of its US Dollar aluminium price lag risk exposure and 50% of its currency risk exposure on the price lag. • The unhedged fluctuation in the ZAR aluminium price from the date of purchase of aluminium to the date of sale results in a metal price lag impact on profits. • Eliminating 100% of the price lag with derivatives would create a cash flow risk if the spot prices were to rise strongly since new inventory would have to be purchased at a higher price than sale proceeds received net of derivative settlements. • Due to the increased liquidity risk in 2020, the price lag hedging was suspended during the year. The 50% compromise between earnings and cash flow stability was replaced with a focus on cash flow stability. • During the current financial year the group made a pre-tax gain of R112 million from metal price lag (2019: R68 million loss). This net gain was made up of US dollar-denominated losses on the purchase and subsequent sale of metal, net of related currency gains, offset by derivative instruments for part of the year.
Cost base	• Inflationary cost increases in South Africa places pressure on our cost base.	• The inflation rate for South Africa has fallen from 4.1% in 2019 to 3.3% in the current year.	• We seek to mitigate the effects of inflation through cost efficiencies and pricing improvements. • Cost savings that began in 2019 were offset by material costs that continued to climb in 2020. • Hulamin completed a turnaround plan during the second half of 2019 and effected the closure of the Extrusions Olifantsfontein operation, which collectively resulted in around 250 job losses and the reduction in other cost categories. • Additional costs were temporarily removed during the exceptionally low level of operations in the hard lock-down months of 2020.
Liquidity	• An increase in debt levels can result from: » A sharp rise in working capital, arising from a misalignment of metal procurement and sales; » Losses arising from low levels of sales, due to the high fixed cost base of the business; » Rapid changes in currency or LME levels, impacting the cash flows from derivatives; and » High levels of investment in capital expenditure.	• During 2019, Hulamin secured a three year renewal of its working capital facilities. • The 360-day notice general banking facilities will be restructured in September 2021. • Adequate liquidity was maintained throughout the year under review and covenants were comfortably met.	• Hulamin has a working capital borrowing base facility in place which adjusts to changes in eligible inventory and receivables to provide appropriate levels of available liquidity. • The impact of sharp changes in currency levels and commodity prices on derivatives is closely managed by the group's treasury committee. • Capital expenditure is closely monitored and controlled by the group's capital expenditure committee.
Interest rate	• The group is exposed to interest rate risk with respect to its borrowings which carry variable rates.	• The one month JIBAR decreased from 7.5% to 4.5% during 2020 contrasted against an average of 7.8% for 2019. The prime lending rate decreased from 9.75% to 7% during 2020.	• Net interest expense of R37 million was 10% lower than that incurred in the prior year, partly as a result of lower average interest rates during the year.

Segmental performance	2020 Rolled Products Rm	2020 Extrusions Rm	2020 Group Rm	2019 Rolled Products Rm	2019 Extrusions Rm	2019 Group Rm
EBITDA*	**(5)**	**5**	**–**	105	(87)	18
Adjustments						
Restructuring costs	**–**	**13**	**13**	76	39	114
Loss on disposal of property, plant and equipment	**–**	**–**	**–**	26	–	26
Isizinda: loss of control/settlement of equity option	**11**	**–**	**11**	65	–	65
IAS 39: hedge accounting	**–**	**–**	**–**	25	–	25
Metal price lag	**(112)**	**–**	**(112)**	68	–	68
Normalised EBITDA*	**(107)**	**18**	**(89)**	364	(51)	313
Excess hedged positions	**(114)**					

** Before impairment charge.*

2020 financial performance

The financial performance of the group is measured in various key financial terms which include operating profit, headline and normalised earnings, return on capital employed, cash flow generation, gearing and liquidity, as set out above in further detail.

The Rolled Products segment recorded an EBITDA loss of R5 million, a decrease of 105% over the prior year's R105 million, negatively impacted by the Covid-related disruptions and losses on associated excess hedged positions. On a normalised basis, Rolled Products EBITDA was 129% below that of the prior year.

Hulamin Extrusions earned an EBITDA profit (before impairment) of R5 million, exacerbated by restructuring costs of R13 million incurred in the year. On a normalised basis, EBITDA was a profit of R18 million (2019: loss of R51 million) with production and sales disrupted by the Covid pandemic.

Note 2.1(b) of the group financial statements discloses more information on the contribution by operating segment.

Note 1: Normalised EBIT, EBITDA and headline earnings per share exclude metal price lag and material non-trading items (refer summarised financial statements notes 3(a) & (b))

Rolled Products

Hulamin Rolled Products experienced disrupted market and operating conditions both locally and internationally in 2020. In addition, trading conditions for Hulamin in the USA became increasingly difficult.

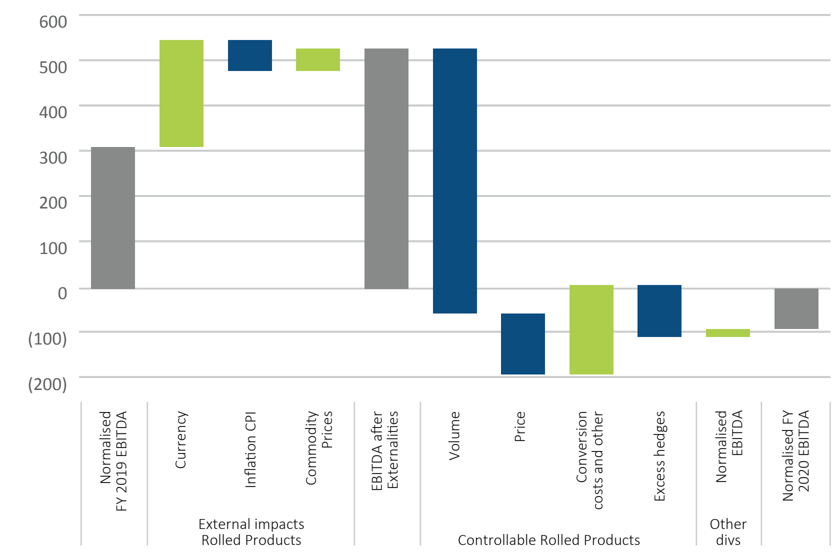
The effects of the Covid pandemic were far-reaching, with the specific challenges for the local beverage can industry highlighted earlier in this report. Local can stock sales were down by 49% from 2019 while can stock exports were in line with the prior year.

During 2020 an anti-dumping petition on imports of common alloy aluminium was lodged against most countries exporting into the USA. Although, as explained earlier in this report, the preliminary finding is favourable for Hulamin relative to the finding for many of the other affected countries, the US market was plagued with uncertainty for most of the year.

The global slowdown in automotive markets, that began in 2019, continued in 2020 with sales lower by 32%.

These factors combined to limit Hulamin Rolled Products sales volumes to 155 000 tons for the year, some 24% lower than the 204 000 tons recorded in 2019. Due to the high fixed manufacturing cost base of the business, the impact on operating profit of this sharp reduction in volume has been severe.

Normalised[1] EBITDA FY 2019 VERSUS FY 2020 (R million)



CHIEF FINANCIAL OFFICERS' REPORT CONTINUED

The 12% weaker currency levels which prevailed during 2020 (2020: R16.47 versus 2019: R14.45) were the primary cause of the 11% improvement in gross Rand margins before non-aluminium material costs. However underlying weighted average unit US Dollar conversion fees were 3% lower than the prior year, reflecting the combination of a weaker market and a shift in sales mix.

Hulamin's manufacturing cost base is largely fixed in nature. Manufacturing costs decreased 20% over the prior year, with the exceptionally low production activity in the first half of the year necessitating partial plant closure. Energy, employment and contractor costs were the main decreases. Energy has a higher variable component especially in times of partial plant closure, while employment and contractor costs were assisted by the 2019 turnaround plan. The costs of testing employees for Covid-19 and providing private transport for employees amounted to R26 million in 2020.

As already mentioned, the Covid-related sharp fall in sales volume created excess hedged positions relative to the net of US dollar conversion fees over US dollar conversion costs. When coupled with the rapid weakening of the ZAR against the USD, this resulted in a loss of R114 million.

Isizinda Aluminium Proprietary Limited ("Isizinda")

Before 2020, Hulamin produced the majority of its rolling slab requirements at its Pietermaritzburg plant and sourced the balance from Isizinda. Hulamin purchased the slab business from Isizinda, effective 1 January 2020, and Isizinda used the proceeds from the disposal of the business assets to reduce its loan from Hulamin.

Isizinda has yet to declare a final dividend of R15 million that is linked to Hulamin completing a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

Hulamin has historically accounted for its investment in Isizinda as a subsidiary in terms of IFRS 10. From 1 January 2020, the activities of Isizinda changed materially and Hulamin no longer control's Isizinda in terms of the requirements of IFRS 10. This loss of control in Isizinda resulted in the group acquiring a 38.7% investment in Isizinda as a joint venture. Full details of the accounting implications of the Isizinda Transaction has been disclosed in note 6.1(d) of the group financial statements.

Metal price lag

A metal price lag gain (after hedging) of R112 million was recorded in 2020 (2019: loss of R68 million), as the Rand aluminium price increased during 2020. In anticipation of tight liquidity due to Covid disruptions, the programme to hedge the metal price lag by 50% was suspended at the end of March 2020 to reduce cash flow volatility from the commodity and currency derivative instruments. Once liquidity headroom improves during 2021, Hulamin will consider the timing and quantum of restoring this hedging programme. Any restoration also requires reliable sales forecasting rather than a resurgence of disruptions.

Depreciation and impairment charges

Depreciation and amortisation charges reduced by 53% to R64 million in 2020, from the R136 million recorded in 2019, largely as a result of the significant impairment charge recorded in the prior year.

International Accounting Standard (IAS) 36 requires that management assess the carrying value of assets at every reporting date for possible impairment in value where an indicator of impairment exists. Where the share price of a listed entity trades at a discount to its underlying net asset value such an indicator is triggered and management are obliged to determine the value in use of the assets and should this be below their carrying value, make an appropriate adjustment.

The 2019 reported uncertainty in the macro environment, and the associated high level of risk indicators, has abated somewhat towards the end of 2020. While the improvement supports no impairment charge for the Rolled Products cash generating unit in 2020 (2019: R1.27 billion and R36 million impairment charges within the Rolled Products and Hulamin Extrusions cash generating units respectively), it is not seen as sufficient to reverse any of the past accumulated impairment.

An impairment charge of R8 million was recorded against the Hulamin Extrusions' Olifantsfontein property. In 2019, R19 million was recorded against the property at Isizinda Aluminium and the Olifantsfontein assets held for sale.

Full details, including key sensitivities, are provided in note 2.4.4 to the group financial statements.

Finance costs

Total interest expense decreased by 19% to R46 million partly as a result of lower average interest rates during the current financial year. Net finance costs expensed in the 2020 year were R37 million which is 24% lower than the comparative period.

Taxation

The effective rate decreased from 18.1% to negative 107.7% in the current year. The low rates are largely due to deferred tax assets that were not recognised in both years owing to uncertainty of future taxable profits, with the 2020 year including a reversal of the 2019 deferred tax asset for the same reason.

Headline and normalised loss

Headline loss for the group decreased by 12% to R211 million in 2020, from R240 million loss in the previous year.

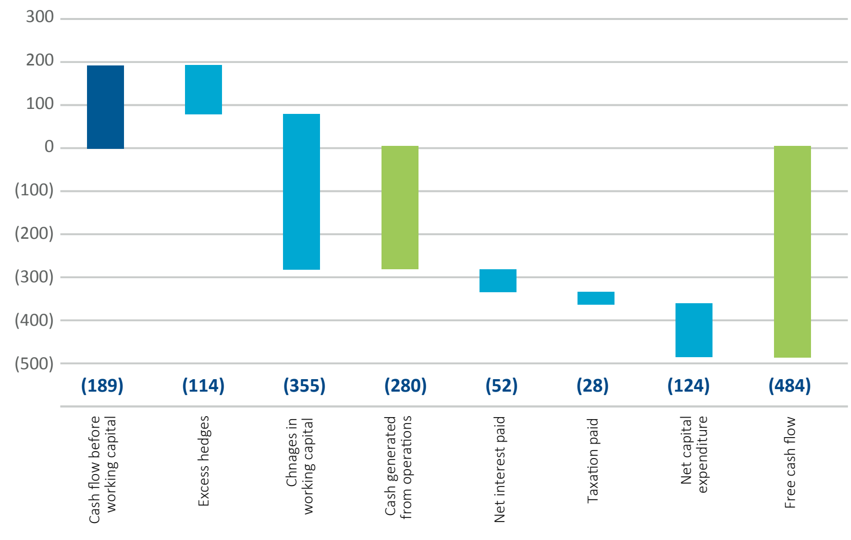
Normalised headline loss increased by 1085% to R282 million in the current year, from a loss of R26 million in 2019. This deterioration is the result of the Covid drag on profitability, whereas the improvement in earnings before normalising adjustments reflects significant year on year changes in the metal price lag and restructuring charges. Headline earnings are reconciled to normalised headline earnings in note 2.1(b) of the group financial statements.

Free cash flow

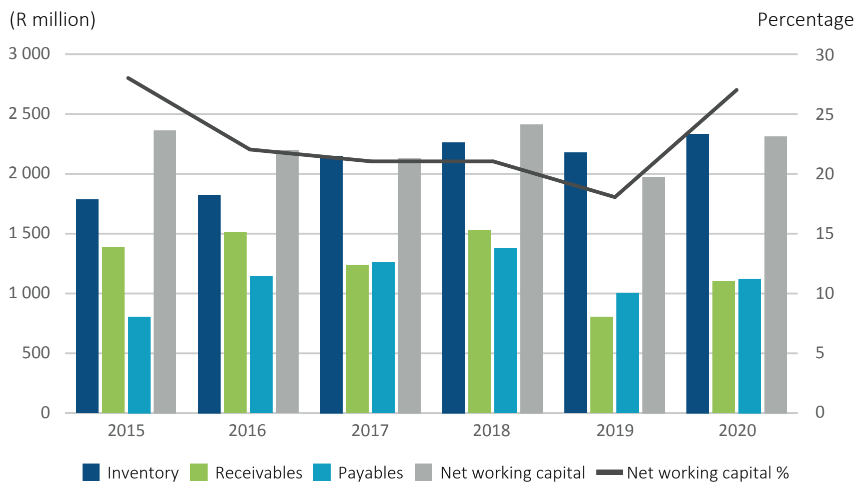
Cash generated from operations was an outflow of R280 million versus an inflow of R626 million in the prior year, where 2019 was boosted by a 2018 late customer payment of R208 million received in January 2019.

Gross capital expenditure was R140 million and after lower interest and taxation cash flows, a free cash outflow of R485 million was recorded in 2020. This contrasts with the free cash inflow of R222 million in 2019 (or R90 million if the late customer receipt is allocated to 2018).

FREE CASH FLOW 2020 (R million)



NET WORKING CAPITAL PERFORMANCE



Cash flow before working capital

Cash flow before working capital and excess hedges declined 35% compared with 2019 before the retrenchment costs in the prior year. This contrasts with the larger decline in normalised EBITDA mainly due to the cash flow effects of restructuring costs and metal price lag that are normalising items.
After excess hedges and retrenchment costs, cash flow before working capital declined 58% to R75 million from the R179 million recorded in the prior year.

Working capital management

The improvement in Hulamin's net working capital as a percentage of revenue was disrupted in 2020 by the low revenue in the year coupled with the Rand price of aluminium ending the year significantly higher than the average price for the year. Net working capital as a percentage of revenue increased from 18% in 2019 to 27% in 2020. While revenue is influenced by the annual average Rand price of aluminium, the year's closing working capital depends more on the Rand aluminium price in the final quarter of the year. Unlike 2019 where the annual average and fourth quarter prices were similar, 2020 ended the year on a Rand aluminium price that was R2 200 per ton higher than the average for the full year.

Cash outflows from working capital were R355 million in 2020 versus an inflow of R238 million in the prior year after adjusting 2019 for the late customer receipt that was due in 2018.

In addition to the impact of the Rand price of aluminium on net working capital, the benefits of customer supply chain finance programmes were significantly less in 2020 in line with reduced customer liquidity.

Receivables are insured, with a 20% deductible, and the quality of the book remains good.

Capital expenditure and commitments

To preserve liquidity during the Covid disruptions, capital expenditure was limited in 2020 and is lower than the prior year by R174 million. An amount of R53 million (2019: R85 million) has been contracted and committed but not spent.

CHIEF FINANCIAL OFFICERS' REPORT CONTINUED

Capital management

Borrowings and liquidity

Net borrowings closed at R751 million, up from the R226 million prior year closing position. Net debt was R819 million at the end of 2020.

Net borrowings comprised a R789 million revolving working capital loan, reduced by cash balances of R38 million. Direct committed facilities totalled R1 200 million, leaving headroom of R449 million at year-end. Indirect committed facilities of R300 million comprise a guarantee and letters of credit facility.

Key covenants on the debt package are a current ratio in excess of 1.25 times and a debt-to-equity ratio less than 0.5 times. All covenants have been met in the 2020 financial year.

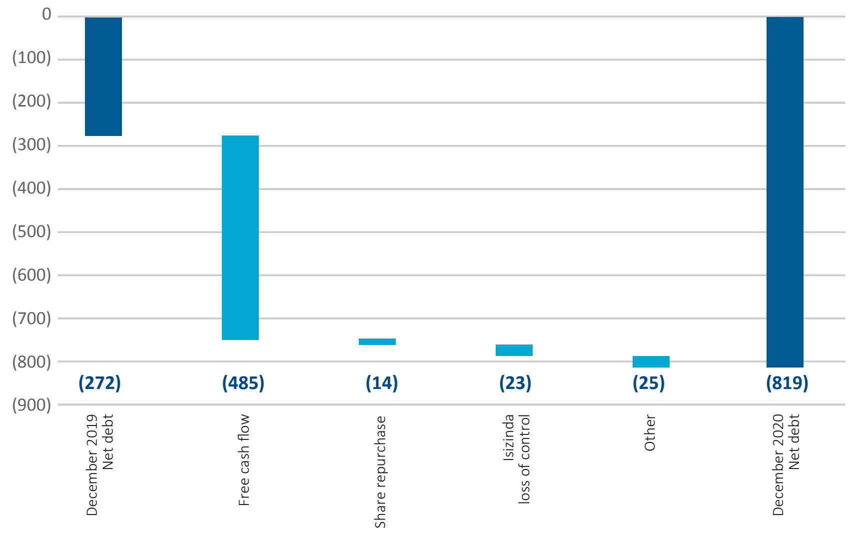
Gearing (net debt to equity) increased to 35% by the end of the year, with equity significantly reduced by the impairment charges in 2018 and 2019.

Dividends and share repurchases

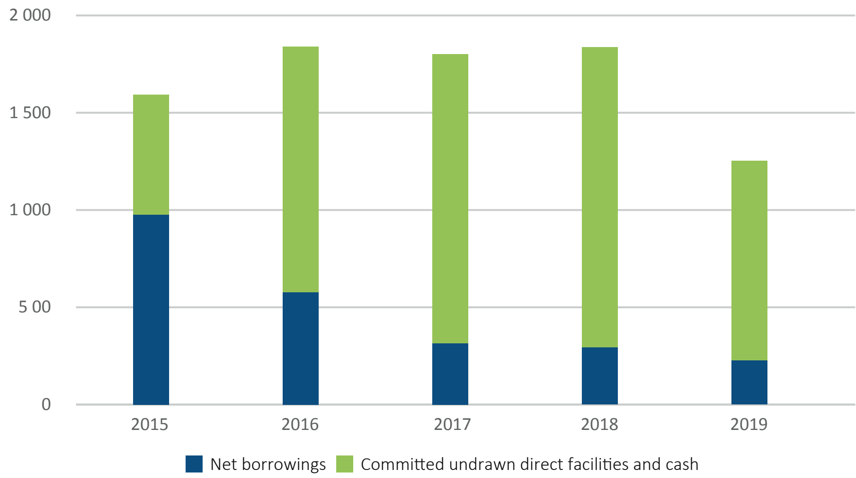
Due to the poor 2020 financial performance and the significant uncertainties in outlook, and in line with the group's dividend policy which targets distributions covered by headline earnings, the board has decided not to declare a dividend for the 2020 financial year (2019: nil dividend).

The group repurchased in excess of 7.6 million shares during 2020, totalling R14 million, by way of an open market share repurchase programme.

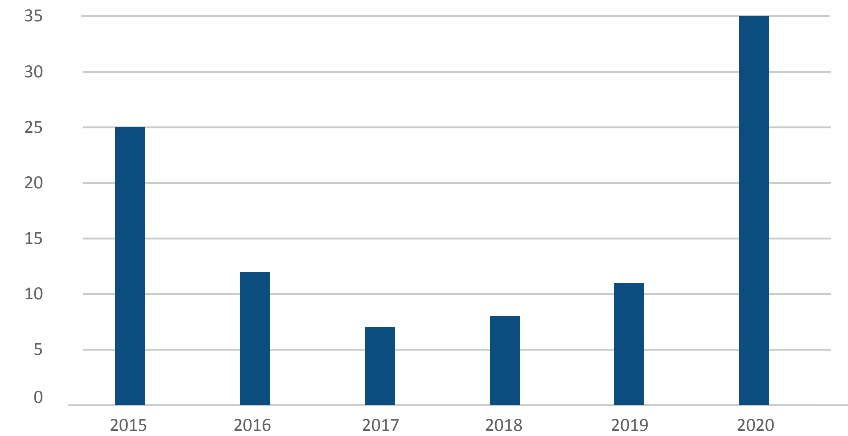
NET DEBT FY 2020 (R million)



NET BORROWINGS AND HEADROOM (R million)



NET DEBT TO EQUITY (Percentage)



Accounting policies

New accounting standards

Several new or amended standards became applicable for the year ended 31 December 2020 as described in note 1.2 (a) of the group financial statements. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

Going concern and events after the balance sheet date

Material events between the end of the financial year and the date of approval of the financial statements have been detailed in note 1.9 of the group financial statements. The most noteworthy events are:

- The continuing economic impact of Covid-19 on Hulamin and its markets;
- The US anti-dumping petition against imports of common alloy sheet; and
- The arrangement of a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

Despite the deterioration in the group's liquidity position during 2020 with some moderation to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities, Hulamin's committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due. The group financial statements for the year ended 31 December 2020, therefore, have been prepared on the going concern basis.

In making this assessment, the board considered the potential impact of the key uncertainties which relate to the matters described above, together with a consideration of management's scenarios and forecasts to the middle of 2022 as explained in note 1.10 of the group financial statements. We recognise, however, that various uncertainties could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs.

Whilst the board do not consider it likely that an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

Conclusion and outlook

Hulamin reported disappointing financial results for 2020. The Covid-19 pandemic and a significant loss on excess hedged positions caused by the sudden fall off in 2020 sales, have resulted in a net loss for the year of R230 million (from the R1.2 billion recorded in the previous year following an impairment of R1.3 billion). Cash flows have also been strained by the pandemic and the impact of the significant increase in the Rand price of aluminium on working capital. This has resulted in net borrowings increasing to R751 million and a net debt to equity ratio of 35%. Positive developments in tariffs on international and domestic trade are cause for optimism should the Covid-19 uncertainties abate, although a maintenance shutdown and the level of the Rand against the US Dollar will also be key factors.

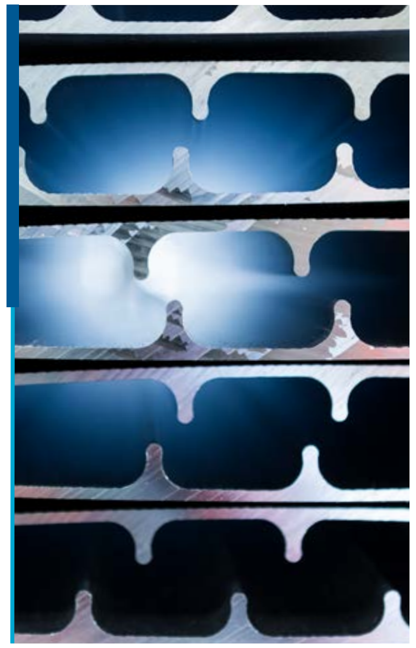
RISK MANAGEMENT

The employment of an effective risk management process is critical to Hulamin achieving its strategic and operational goals, particularly in the current environment of change and uncertainty. Hulamin recognises that risk is intrinsic to the business and that there is a balance to be struck between managing threats and exploiting opportunities. The group's possible response to identified risks includes acceptance, avoidance, transfer and mitigation, as informed by the group's risk appetite and tolerance levels.

It is Hulamin's policy that risks should be understood and managed through a relevant and formal structure to facilitate the achievement of the business's long-term objectives, which recognise the interests of all stakeholders in the business as informed by the group's risk appetite and tolerance levels.

The formal structure assists in:

- Identifying and evaluating risks
- Setting acceptable risk limits
- Monitoring risk-management actions and controls
- Assessing the effectiveness of risk management



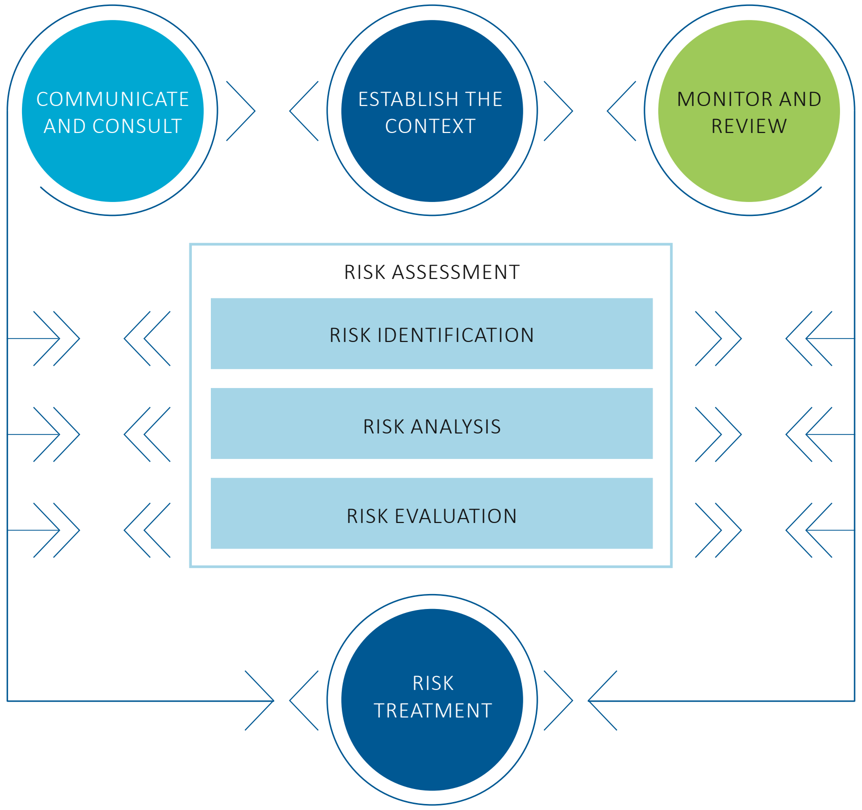
Risk management framework

Hulamin's risk management framework provides the basis for the implementation of a consistent, efficient and economical approach to identify, evaluate and respond to key risks that may impact Hulamin's strategic and business objectives. The framework also addresses the specific responsibilities and accountabilities for the Enterprise Risk Management (ERM) process and the reporting of risks and incidents at various levels within Hulamin.

The adoption of a framework (ISO 31000), which is based on the ERM framework published by the International Organisation for Standardisation (ISO) of the Treadway Commission assists Hulamin in:

- aligning its risk appetite and strategy;
- pursuing business objectives through transparent identification and management of risk;
- prioritising risks to ensure that resources and capital are focused on high-priority risks faced by the group;
- enhancing risk response decisions;
- reducing operational surprises and losses;
- identifying and managing multiple and cross-enterprise risks;
- seizing opportunities;
- improving the allocation and deployment of capital;
- ensuring compliance with laws and regulations; and
- increasing the probability of achieving objectives.

Risk management process



Risk governance

The board of Hulamin is ultimately responsible for the governance of risk for the group and assumes overall ownership thereof.

The board carries out its responsibilities for risk management via the Risk Committee, a sub-committee of the board which has oversight of the group's enterprise risk management framework, policy and processes.

There is also a Risk Management Committee, a sub-committee of the executive committee, which is accountable to the board Risk Committee for designing, implementing and monitoring the process of risk management and integrating risk management into the day-to-day activities of the various departments.

The executive committee, supported by management, supports Hulamin's risk management philosophy; promotes compliance with Hulamin's risk appetite; identifies, assesses and manages risk within their spheres of responsibility consistent with risk appetite and tolerances; and manages the implementation of risk reduction actions and appropriate internal controls.

All Hulamin employees are responsible for executing enterprise risk management in accordance with established directives and protocols. A number of external stakeholders often provide information useful in effecting enterprise risk management, but they are not responsible for the effectiveness of Hulamin's enterprise risk management process.
Various external and internal parties provide risk assurance and compliance.
The risk management committee coordinates cross functional scenario teams (internal and external expert sources) to monitor scenario flags and implement appropriate strategic and tactical responses.

Internal control and assurance

The Hulamin Board is responsible for establishing and maintaining an effective system of internal control which is designed to provide reasonable assurance that the group's business objectives will be achieved in accordance with the group's risk appetite.

A key element of the system of internal control is the review by assurance providers who assess the adequacy and effectiveness of the controls. The group's internal audit function is primarily responsible for assessing the design adequacy and operating effectiveness of internal controls and risk management.

Specialist assurance providers are used to assess the adequacy and effectiveness of controls in certain instances. These include environmental and safety audits. The output of the risk management process, in conjunction with the work of the independent assurance providers, indicates to the directors that the controls in place are adequate and effective. This assurance recognises that the organisation is dynamic and that at any point in time there are new areas of risk exposure that may require management attention. As such, there is a continual focus on ensuring that the control environment is understood and maintained at the required level.

Risk appetite and tolerance

Hulamin's risk appetite statement and the group's levels of risk appetite and tolerance are reviewed on at least an annual basis by the board. The risk appetite statement provides guidance as to what kinds of risk and what amount of risk Hulamin is willing to accept as it seeks to achieve its business objectives. Risk tolerance refers to the level of uncertainty we are prepared to accept and can bear. The determination of risk appetite assists to ensure that decisions are made in pursuit of business objectives, after considering quantifiable, impartial risk measures. Hulamin's risk appetite is expressed in terms of risk parameters which provide guidance as to the quantum of risk which is bearable, targeted and tolerable; and the nature of risks which are acceptable or undesirable. Key financial risk appetite and tolerance measures include: EBITDA, HEPS, shareholders' equity, net debt to equity ratio, headroom in borrowing facilities, current ratio. These metrics are embedded in risk rating tables for the evaluation of individual risks and are also established at an aggregate level for assessing the overall risk portfolio of the group.

Business continuity management ("BCM")

Hulamin has implemented a BCM programme comprised of three phases: emergency response, crisis management and business continuity and disaster recovery. These plans are in place, however, ongoing updating, training and awareness is required in this regard. The impact of the Covid-19 pandemic is challenging traditional BCM approaches and there are a number of lessons learnt which we will incorporate in our BCM programme.

Top risks

The most material risks of the group, on a residual risk basis, are set out in the table following.

The events in early 2020 relating to the Covid-19 pandemic have led to a reassessment of our risks and their impact on our business.

RISK MANAGEMENT CONTINUED

Risk number	Aggregated risk	Risk category	Risk name and context	Impact on Hulamin	Risk-mitigating activities and controls
1	**Impact of Covid-19 global pandemic**	**Strategic (macro-economic, market demand)**	**Covid-19 risk to economy and industry** (Refer to refer to page 6) Hulamin had to cease operations in late March, following President Ramaphosa's announcement of a countrywide Level 5 lockdown under the Disaster Management Act. In April the company was able to restart manufacturing of certain product lines that were deemed essential goods, but this only represented less than 50% of Hulamin's product portfolio. Protecting the health of employees and safeguarding the liquidity of the business was Hulamin's focus during this time. Curtailing the procurement of primary aluminium, reducing inventory levels and focusing on the conversion of existing inventory to cash were prioritised. Manufacturing centres without sufficient work were shut down, and those employees who could work from home were issued with computers and data to continue working normal hours as meetings were moved online.	The impact of Covid-19 on Hulamin in 2020 to date has been severe and has added significant complexity to the operation of the business. This has resulted in a re-assessment of our risks and their impact on our operations. Apart from the significant risk to employee health and welfare, the impact of the pandemic acts as a trigger for a number of other identified risks, including disruption to our manufacturing operations and supply chain; a domestic and global economic slowdown that impacts demand for our products; currency and commodity price volatility; and credit, liquidity and solvency risks.	**Governance and leadership.** Crisis management protocols were established, where a Covid-19 command council committee comprising senior executives across the group met daily. Their role was to manage primary activities, monitor key metrics and identify areas of emerging risk; provide consistent communication and guidance to employees; proactively engage with government; conduct regular and ongoing communication with suppliers, customers, and other key stakeholders; provide an ongoing review of business scenarios; and adapt strategy implementation in accordance with business resilience protocols. **Employees.** Provision of support to employees that considered their wellness, safety and security; providing ongoing training and information on the pandemic, and ensuring awareness of Hulamin site protocols relating to Covid-19. **Operations.** A focus on production continuity under strict conditions, which included: mandatory cyclical employee and contractor testing and isolation where required; enforcement of team separation, social distancing measures and mandatory use of masks; supply of company-provided transport to employees who currently rely on public transport to get to work; stringent cleaning/disinfecting routines; and off-site working arrangements for non-production critical staff. **Safety, health and facilities.** Providing a workplace for employees that has met all Covid-19 health protocols, as well as driving fitness-for-work principles, and ensuring safe and stable operations. **Information technology (IT).** Facilitation of remote working by office staff and assisting with virtual communication and engagement; ongoing protection and monitoring of cybercrime. **Commercial credit and insurance.** Monitoring changes in the business environment that impact both customers and the supply chain, with increasing business distress and a tightening in the provision of credit. Proactive engagement with credit, asset and liability insurers.
		Financial	**Customer credit risk** Hulamin's business units are, by the nature of their operations, exposed to the risk of financial loss resulting from the failure of a counterparty to meet its financial or contractual obligations when due. This risk has increased dramatically as a result of the Covid-19 pandemic, as well as through South Africa's downgrade to junk status by credit agencies due to the country's increased risk.	• Financial loss due to customer or counter-party default, with attendant adverse liquidity and profitability impacts. • Reputational damage.	• Customer credit risk is managed by each business unit, subject to the group's established policies, procedures and controls relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard, and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables are regularly monitored, and any shipments to major customers are generally covered by letters of credit or credit insurance. • Hulamin manages credit risk on financial counterparties by choosing counterparties with a good credit rating, by limiting the actual exposure per counterparty, and by agreements such as ISDA (International Swaps and Derivatives Association) agreements. • Governance and management of trade receivable exposure by Hulamin's credit committee, and financial counterparty exposure by the treasury committee, is in place. • Increased assessment and engagement with customers, in conjunction with Hulamin's credit insurers.
		Operational (safety and health)	**Employee safety, health and environment** Hulamin operates in an environment that exposes its employees and other stakeholders to potential health and safety risks. A deterioration in safety performance can result from a failure of critical infrastructure or through the unsuccessful implementation of, or non-adherence to, safety procedures. The recent Covid-19 pandemic has placed increased challenges on the system. However, robust and stringent health, safety and hygiene measures have been put in place and rigorously monitored.	• Fatalities, injuries and occupational diseases. • Reduced employee morale and engagement. • Operational and customer delivery disruption. • Reputational damage, increased regulatory and stakeholder scrutiny. • Legal consequences, fines and penalties.	• Establishment of a Covid-19 office, whose responsibility was to manage protocols during the pandemic, including sanitising, social distancing work practice, employee wellbeing, employee transport, and return-to-work coaching. • Established group safety leadership forum and governance structures. • Safety training for all employees on at least an annual basis. • Behaviour-based safety and visible felt leadership programmes ongoing in all areas. • Strict safety procedures and routines are in place. • Robust risk-management processes. • All incidents and accidents are registered and classified in incident reporting systems, with specific controls to address root causes of safety incidents. • External assurance is obtained on a routine basis and Hulamin's sites are certified in accordance with the OHSAS 18001. • Increased health and hygiene measures implemented.

RISK MANAGEMENT CONTINUED

Risk number	Aggregated risk	Risk category	Risk name and context	Impact on Hulamin	Risk-mitigating activities and controls
2	**Liquidity**	**Financial**	**Liquidity** (Refer to refer to page 166) The group's liquidity is affected by operational and market stability that impacts cash generation, available cash, borrowing facilities and lines of credit, and future commitments. Hulamin's liquidity position has been negatively impacted by the lockdowns brought on by the Covid-19 pandemic. Significant uncertainty regarding operational and market stability remains in the near-term.	• The inability to meet working capital requirements, constraining operations. • The inability to fund and execute strategic and improvement projects, delaying strategic progress. • Excessive interest charges, due to higher borrowing levels and credit costs.	At the start of 2020, adequate liquidity was maintained and covenants were comfortably met. However, the impact of domestic lockdowns related to the Covid-19 pandemic placed significant pressure on the group's liquidity position in the first half of 2020. Liquidity was a key agenda item in the Covid-19 command council meeting and was monitored on a daily basis. A prudent and proactive approach to managing liquidity has been adopted. Evaluation of the financial position of the group, management of cash flow, and proactive engagement with bankers and funders is ongoing. Cost-reduction measures and a deferral of non-critical capital expenditure were implemented. Monitoring, supported by regular cash-flow projections, is ongoing.
3	**Global trade legislation and tariffs impacting Hulamin**	**Strategic (political)**	**Global trade legislation and tariffs impacting Hulamin's exports** These risks relate mainly to changes in trade legislation or tariffs imposed on countries or organisations where Hulamin or its supply chain has its operations or market activities. Hulamin has manufacturing operations in South Africa, but supplies customers in over 50 countries around the world and is reliant on global supply chains. Markets and operations are affected by the political and economic environments within and between these countries. There is a growing trend in protectionist trade policies around the world, with support being provided to local manufacturing industries. This has been further exacerbated by Covid-19.	On 9 March 2020, a petition was filed in the USA by domestic US producers against imports of aluminium common alloy sheet from 18 countries, including South Africa. The petition claims material harm to the US aluminium industry and seeks tariff relief in the form of anti-dumping (AD) countervailing duties. The final dumping margin calculated for South Africa is 8,85%, and will remain in place if the United States International Trade Commission issues an injury finding in April 2021. The opportunity to supply additional high-value product into the USA is currently being investigated. An anti-dumping and countervailing investigation in the US was also initiated against foil imports from five countries in 2020. These countries all increased imports to the US following the affirmative finding in the case against Chinese foil. The EU has imposed preliminary duties on Chinese aluminium that covers all products with the exception of can sheet, ABS and aero. This has created a significant opportunity in the EU for non-Chinese rolled aluminium, and will have consequences for global trade patterns. Other markets are also implementing protectionist strategies. India initiated an AD investigation into aluminium foil from several countries, including further impositions to the current duties against China.	Monitor and engage relevant stakeholders to ensure that free trade between SA and the EU is extended beyond 2020. **Monitoring and engagement** Hulamin monitors changes in trade legislation and political risks in the countries in which it operates, in conjunction with its credit insurers, customers and supply chain. Proactive engagement is ongoing with South Africa's Department of Trade and Industry (DTI) and international trade authorities to understand and influence the direction of trade policies. • Established customer relationships across a variety of countries and industries allow Hulamin some flexibility in shifting products that fall within the scope of the investigation, subject to asset constraints and rerouting sales. • Focus on product development and innovation with key OEM customers. • With regards to the US AD investigation into imports of aluminium common alloy sheet, two key workstreams were established: defend the case (to avoid/minimise duties applicable to Hulamin supply); and identify and develop alternative sales opportunities in the event that there is an adverse outcome. Defence has achieved a differential advantage for Hulamin by acquiring a favourable rate (under 10%). • Monitor Hulamin's pricing to markets where the possibility of trade action has been identified.

RISK MANAGEMENT CONTINUED

Risk number	Aggregated risk	Risk category	Risk name and context	Impact on Hulamin	Risk-mitigating activities and controls
4	**Domestic market demand risk**	**Strategic (macro-economic, market demand)**	**Domestic market demand** Constrained domestic economic activity and market demand arising from low economic growth. Drivers include the pace and extent of implementation of structural reforms, particularly the reconfiguration of Eskom; investor confidence; global growth; and trade frictions affecting the price and demand for South Africa's exports. On the back of Covid-19 impacting port congestion that caused significant import delays, vessels bypassing ports, increases in logistics costs from China into South Africa, and a weak Rand, we have experienced an uptick in local demand.	In Q4 of 2020, additional sales in can stock, automotive and domestic foil was experienced. Due to the significant shortage of cans in the US, Nampak has contracted out some of its capacity to produce cans in SA and export to this market. This has created an increased demand for can sheet from Hulamin.	• Shift mix as appropriate to export opportunities, primarily in can stock in 2020. In Q4 of 2020, additional local demand was experienced. • Seek growth opportunities through new product development in conjunction with our customers.
		Strategic (political)	**Competition in domestic market from imports** Import volumes of aluminium sheet, plate, foil and extruded products into the local South African market – particularly from low-cost countries – have increased over the past few years and have resulted in a decline in Hulamin's domestic market share. In Q1 2021, South Africa implemented a 15% base duty on all flat-rolled aluminium imports.	The introduction of the base duty has led to increased demand for Hulamin's products. In particular, there was a significant uptick in demand for canbody stock, followed by some increase for local standards and foil.	• Focus on supporting and developing OEM market sectors in South Africa. • Focus on improved customer service, on-time delivery, reliability and quality. • Pursue tariff protection where necessary. In August 2018, Hulamin applied for an import duty on rolled products supplied into South Africa. The outcome of Hulamin's duty application was published on 31 December 2020, when the government implemented a 15% import duty on rolled products. • Implementation of can stock resale programme. • Shift mix as appropriate to export opportunities, primarily in can stock.
5	**Concentration risk**	**Strategic**	**Concentration risk** Hulamin's business units are exposed to the risks of product, market and customer concentration, which can result in volatility in asset-utilisation and resultant earnings.	Concentration risks could lead to volatile earnings and returns on investments in manufacturing assets. The loss of a major customer or market could result in significant adverse performance. Around 45% of Hulamin's sales are in the domestic market, with North America and Europe also being substantial markets. More than 50% of Hulamin's sales are focused on the packaging sector (mainly can stock) which has proven resilient. Main concentration risks relate to local canbody stock, local automotive heat-exchanger material, heat-treated plate, and US common alloy sales.	• Ongoing assessment of concentration risks as part of product/market strategies. • Common alloy risk in USA is a particular focus with the recent filing of the anti-dumping petition. • Execution of direct route-to-market strategy in the US is in progress. • Can stock qualification in North America. • Align Hulamin auto strategy with the South African Automotive Master Plan 2035 (i.e., 60% localisation). • Review capability and product offering in the growing SA heat-exchange passenger vehicle market. • Qualify canbody into USA, where margins are high given demand and will mitigate local market concentration.

RISK MANAGEMENT CONTINUED

Risk number	Aggregated risk	Risk category	Risk name and context	Impact on Hulamin	Risk-mitigating activities and controls
6	**Electricity supply in South Africa**	**Strategic (political)** **Operational**	**Electricity supply in South Africa** South Africa has experienced delayed investment in electricity generation and distribution infrastructure and capacity, impacted by Eskom debt service costs, productivity issues and input costs.	Inconsistent supply and increasing cost of electricity, resulting in operational disruptions, increased costs, margin reductions and loss of investor confidence.	Electricity reduction and risk mitigation is the responsibility of the resource efficiency team. Their focus is on the following: • Develop a comprehensive electricity monitoring system, used in load shedding and reduction management. • Enhance backup generation capacity to mitigate the impact of load shedding. • Work closely with Eskom to ensure Hulamin has as few disruptions as possible. • Enter into a Power Purchase Agreement(s) from a renewable resource(s), in order to minimise dependence on Eskom, reduce costs and improve Scope 2 GHG emissions in line with our science-based targets. • Power dip-proofing.
7	**Operational stability and cost-competitive risk**	**Operational**	**Asset management risk** This relates to various risks that could result in unplanned operational and equipment downtime interruptions.	Incidents causing operational instability would lead to a loss of production, impacting profitability. In addition, this may result in customers seeking alternative supply and a resultant loss in our market share.	• Asset management programme is in place to manage reliability and maintenance of critical machinery, including appropriate access to spare parts and critical components. • Implementation of actions to reduce asset risks through prioritised capex plans. • Investment in fire-protection systems. • Comprehensive insurance cover in place for machinery breakdowns and supply chain disruptions, as a means of transferring risk and mitigating the impact of a disaster. • Crisis management, emergency response and contingency plans are in place to respond to disasters or emergencies. • Ongoing skills development programmes. • An integrated shut in 2021 is scheduled to reduce key asset risk.
		Operational	**Cost competitiveness** Increasing input costs of material, energy, labour and logistics not compensated for by increases in conversion fees could lead to a gross-margin squeeze. This would be exacerbated by constrained demand and low production levels, given the high fixed-cost nature of Hulamin's manufacturing cost base, and/or stronger currency levels.	Reduced profit margins resulting in reduced levels of free cash-flow generation. This would impact the ability to achieve business plans and deliver on strategic imperatives, given limited financial resources.	• Drive operational excellence programmes to improve productivity, throughput and efficiency. • Ongoing execution of cost-reduction programme. • Investments to remove bottlenecks in product streams with excess demand. • Develop alternative markets for sales of common alloy material, to optimise production levels. • Increased focus on capital allocation and optimisation.
8	**Cyber security**	**Operational (Information Technology)**	**Cyber security** Hulamin's operations and its interactions with its customers, suppliers and other stakeholders increasingly rely on technology platforms to facilitate service delivery. The increase in cyber crime globally has heightened risks relating to disturbances in critical IT systems, business processes and operations, as well as unauthorised access to confidential information and knowledge.	• Disruption to production and other business processes, resulting in on-time delivery failures and business disruption losses. • Financial losses and compliance risk resulting from the theft of information or money, and corruption of data. • Reputational risk damage, including loss of customers.	A comprehensive cyber security roadmap has been established and approved by the Hulamin board. An information security officer has been appointed at Hulamin. The key focus is to: • Secure industrial IT infrastructure. • Enhance vulnerability management. • Enhance users' cyber security awareness and training.

RISK MANAGEMENT CONTINUED

RISK MANAGEMENT CONTINUED

Risk number	Aggregated risk	Risk category	Risk name and context	Impact on Hulamin	Risk-mitigating activities and controls
9	Environmental sustainability and low carbon economy	Strategic (climate and environment)	**Reducing greenhouse gas (GHG) emissions** Local and international government and business have resolved to create a low-carbon economy, to slow the accelerating impact of climate change. This has resulted in increasing global environmental regulations. In addition, local and international customers have accelerated their requirements for environmental sustainability in the areas of recycled content and lower carbon emissions.	Increased regulatory and customer pressure on Hulamin's carbon footprint. This is particularly challenging given the significant reliance on coal-powered electricity in South Africa, combined with the high electricity intensity of primary aluminium production. Key customers have indicated that sustainability targets are key order qualifiers.	• Implementation of environmental sustainability strategy. • Registration for Aluminium Stewardship Initiative (ASI) completed with certification (performance standard certified) by October 2021. • Weatherproofing of the main Edendale plant buildings is ongoing. • Ensure flood line mitigation (i.e. that the Duzi River silt is removed and that water drainage channels are kept clear). • Progress the science-based target roadmap. • Focus on renewable energy projects.
		Operational (environment)	**Water scarcity** Water is a critical input resource for Hulamin's operations. Risks to the security of water supply in South Africa have increased in recent years due to climate change, a rise in consumption, and a deterioration in water availability and quality.	• Disruption to manufacturing operations, resulting in lower production levels and impacting on-time delivery performance. • Increase in operating costs, due to increase in water pricing.	• Detailed real-time monitoring of water usage system is undergoing ongoing development. • Ongoing projects to reduce water consumption. • Launching a programme to recycle water on the Edendale site, with the potential to become a zero-effluent plant in future.
		Strategic (circular economy)	Aluminium is one of the few metals that when recycled does not lose chemical or metallurgical properties. This is ideal for a circular economy. Increasing the recycling content in products will increase environmental sustainability, and hence reduce GHG emissions.	• Lower cost of raw materials. • Reduced GHG emissions in final product. • Reduced cost of product.	• Partnership with can makers, fillers and government. • A shift in Hulamin's scrap and alloy balance strategy. Improvement in scrap consumption. • Develop scrap operational improvement roadmap, which includes product development, alloy development and process improvements. • Implement improved blending system. • Improve efficiency of the recycling furnace. • Develop other outlets for consuming used beverage can (UBC) scrap.
10	Human capital – attracting and retaining talent	Operational (human capital)	Lack of access, and difficulty in attracting and retaining qualified engineering skills that are critical to achieving the company's strategic and operational objectives.	• Failure to execute and deliver on strategic objectives. • Potential impact on sales and operations, new product development and market confidence. • Increased employee attraction and retention costs.	• Identify potential future critical skills and leadership talent risks, and proactively implement mitigation measures. • Advance the talent-management programme and succession planning process. • Structured recruitment process to ensure the hiring of competent and skilled employees. • Leadership development programmes. • Ongoing focus on improving diversity and gender representation.

PERFORMANCE OUTCOMES

04

SOCIAL AND RELATIONSHIP CAPITAL

Corporate social investment

Flagship

Hulamin defines flagship as the positioning of a few high impact, target driven, long-term sustainability focused projects. These projects must be a deliberate strategic intervention by Hulamin rather than a response to a request received from the public.

Employee Volunteerism Programme (EVP)

Hulamin defines Employee Volunteerism as a planned and managed co-operative effort that seeks to motivate and enable employees to serve community needs through the leadership of their organisation, with additional support from the company.

CSI/grant making

Sponsorships and grants are aligned to what has been our focus over the past 20 years. It refers to all applications that come from the public throughout the year, requesting funding for various community interventions. These requests apply to projects of R50 000 and below.

Hulamin's full sustainability report is available on: https://www.hulamin.com/about/sustainability

#Each1Feed1

Needy families from Lions River and surrounding areas in the KwaZulu-Natal Midlands, as well as children at the Khazimula Orphanage in Howick received welcome relief from the hardships imposed by the Covid-19 pandemic, when they received food parcels in 2020.

It was the climax of an annual cycling charity event organised by the Nelson Mandela Foundation-mandated Legacy Ride4Hope Foundation and supported by local company Hulamin, along with Boxer Superstores.

The annual 555-kilometre Ride4Hope event, which was started in 2018, usually begins at Mandela House on the corner of Vilakazi Street, Soweto, and ends in Howick, KwaZulu-Natal, five days later. In 2020, however – after the cycle race had to be cancelled due to the Covid-19 pandemic – the Covid-19 Relief Virtual Challenge was organised in its place, with various sporting celebrities riding stationary bicycles to raise funds.

The food hamper handover event at the Mandela Monument in Howick was attended by Hulamin and Ride4Hope Chairman Thabo Leeuw, Hulamin CEO Richard Jacob, Nelson Mandela Foundation CEO Sello Hatang, Ride4Hope Director Luthando Kaka, Hulamin Corporate Affairs Group Executive Ayanda Mngadi, and Nelson Mandela Day Director Yase Godlo.

Hulamin contributed R650 000 to the cause and the food hampers were the result of Hulamin's involvement in this year's Ride4Hope challenge. Hulamin has supported this event for two years in succession.

The families in need were identified by Hulamin, through their involvement with the local community in recent years. The company has worked with Lions River Primary School, which they assisted through the building of a new classroom in 2019.

"Before Hulamin built the classroom we were using shipping containers," said Lions River Primary School principal Slondile Mhlongo. The containers were packed with so many learners it was almost impossible for the teacher to move around the classroom.

"Today we have six teachers and 161 learners," she said. "Hulamin and Ride4Hope have made a huge difference and have shown the community that things can change when we work together."

The school draws its pupils from the Lions River RDP housing suburb and the Zuzukuhle informal settlement in the area. The school helped Hulamin identify the pupils whose families were at risk of hunger due to the Covid-19 pandemic. Some of these are orphans living at the Khazimula Orphanage.

"These hampers will last a family of four to six people up to six weeks," said the marketing community liaison for Boxer Superstores, Jason McCall, who was at the food handover.

Boxer Superstores are a subsidiary of Pick n Pay, and Hulamin, Nelson Mandela Foundation and Ride4Hope worked through Pick n Pay's subsidiaries to make the food hampers available to those most in need.

Boxer cut profit from the hampers they provided and delivered the food for free as part of Boxer's hunger relief programme, to ensure every rand goes further, said McCall. At the orphanage handover, McCall also agreed to extend the food hamper provision for the orphans to three months.

"We never want to hear a child say: 'Is there any more to eat'," McCall concluded.

HUMAN CAPITAL

Change has always been a constant driver in Hulamin's approach to our people management philosophy. However, in 2020 there was a profound shift in the pace and extent of this change. Covid-19 seriously impacted all traditional ways of working and this has called for the business to urgently adapt and to implement new workplace protocols and practices, which included a refocus of the human capital delivery to the business.

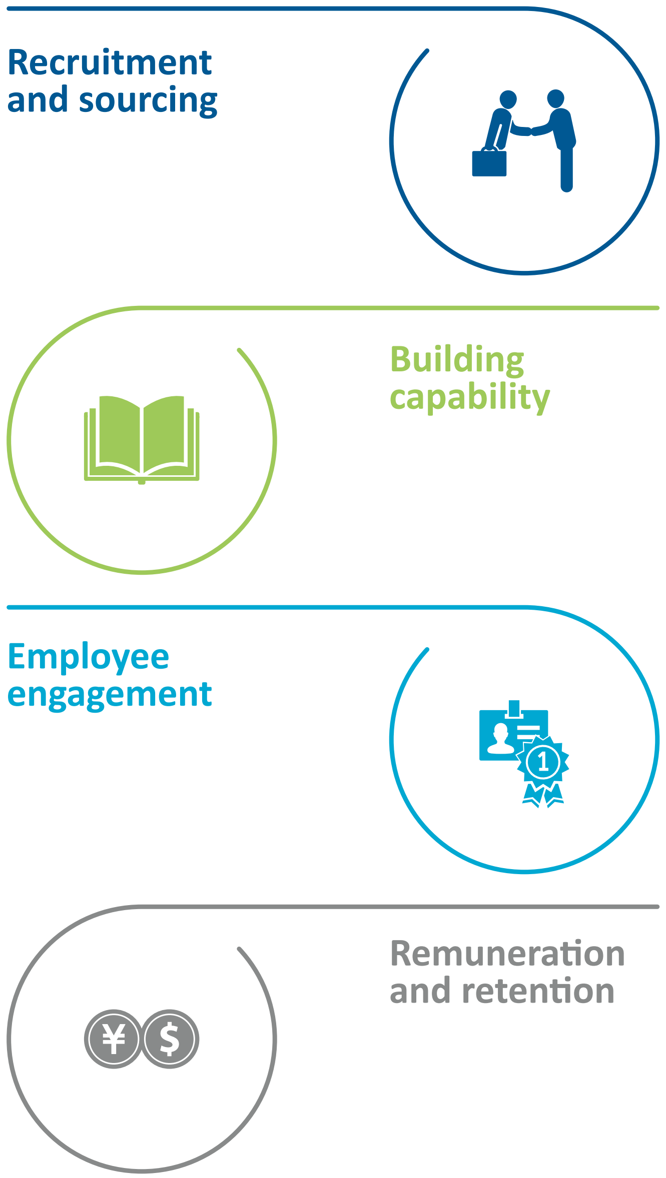
As the pandemic evolves, a significant focus area for the human capital has been geared towards implementing plans and measures that support and prioritise employees' physical and mental well-being.

This support is extended to employees directly and indirectly affected by Covid-19 and to managers in order to assist them to deal with the increased anxiety, concerns, and dynamic conditions of the workplace.

Measures applied included:

- Flexible and remote work options
- Effective communication structures with employees.
- Covid-19 guidelines to access the workplace.
- Professional assistance to all affected parties.
- A Covid-19-compliant workplace

Human resources process



Health and safety

The Covid-19 crisis continues to be a systemic shock to all businesses across the globe. Health and safety is an immediate priority at Hulamin, and this includes the physical and mental wellbeing of all employees, customers, contractors, and other stakeholders. When the pandemic affected South Africa in early 2020, it also had an impact on Hulamin. To ensure speedy decision-making and response, a crisis management team was established to mobilise relevant skills across the organisation to oversee major issues, formulate business contingency plans, and co-ordinate and align implementation across all departments, as set out in the Directive and the Regulations.

The Regulations issued in terms of section 27(2) of the Disaster Management Act, 2002 (Regulations), and the Covid-19 Direction on Health and Safety in the Workplace issued by the Department of employment and Labour (Directive), set out specific measures that employers are required to take to protect their employees from Covid-19 in the workplace. It is important to note that Hulamin made a concerted effort to screen and test all their employees and contractors. It is with deep sadness and regret, however, that we recorded four Covid-19-related deaths during 2020. We convey our heartfelt condolences to the loved ones of the departed. We will remain hopeful as we continue to focus on strengthening our safety culture and controls further during these challenging times.

Safety performance

There were zero[LA] noise-induced hearing loss (NIHL) claims reported in 2020 and zero[LA] cases of occupational dermatitis reported. Total HIV management costs for 2020 amounted to R340 317.99[LA], compared to R288 150.00[LA] the previous year. The HIV management programme entered its 16th year in 2020 and continues to assist approximately 60 non-medical aid employees with support, treatment and surveillance.

The below table shows the key indicators that measure the safety performance of the Hulamin Group:

Total recordable case frequency rate (TRCFR)	Rate	Number of incidents
2020	**0.31[LA]**	**7**
2019	0.37	13
2018	0.24	9
2017	0.58	21
2016	0.27	7
2015	0.99	28
2014	0.66	17
2013	1.00	24

Total recordable case frequency rate (TRCFR)	Rate	Number of incidents
2020	**0.31[LA]**	**7**
2019	0.37	13
2018	0.24	9
2017	0.58	21
2016	0.27	7
2015	0.99	28
2014	0.66	17
2013	1.00	24

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MANUFACTURED CAPITAL

Hulamin continued to accelerate capital expenditure programmes, which is largely geared at delivering required headroom at the finishing division. This is supported by technical, operational and process engineering capabilities as key enablers in helping the organisation realise key objectives.

In 2020, Hulamin Rolled Products produced 155 000 tons, with a product mix that was largely skewed to light-gauge alloys.

Key manufactured capital inputs

- Supply plan that is guided by a demand plan
- Capital expenditure
- Plant and equipment
- Infrastructure in South Africa and countries in which we operate

Key initiatives

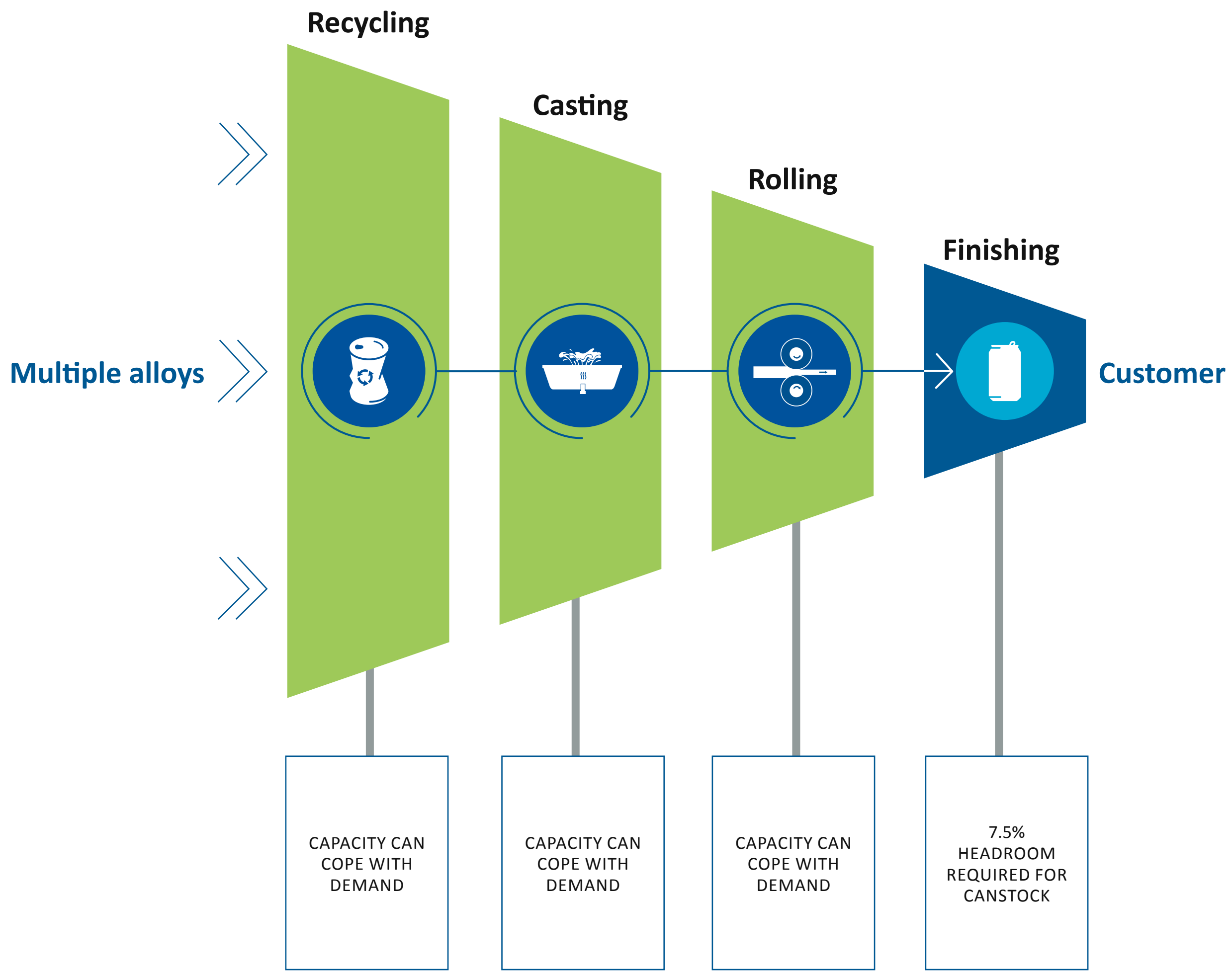
- We introduced wide 5 182 alloy process stability initiatives across the entire value-stream (from casting to finishing) as enablers for improving Canstock throughput.
- We are concluding a hot rolling machine-learning technology proof of concept in order to progress our objective of predictive process control.
- We have invested in manufacturing capacity and capability, with greater emphasis on our finishing division.
- We initiated a process of revising our continuous improvement model and its supporting requirements, in order to help deliver a cost-competitive manufacturing base.
- We made a shift towards people-driven safety as an approach to plant safety.
- We added one extra megawatt of power to the Hulamin energy grid.
- We completed a TLL automation obsolescence upgrade successfully during the Covid-19 epidemic.

Key outcomes

- Customer claims were reduced by 35%, when compared with 2019 performance.
- The metals division has been fully insulated from power outages by adding an extra 1.1 megawatts of power generation capacity.
- We achieved a 1% improvement of overall Canstock multi-slit recovery, when compared to 2019.
- Despite the Covid-19 impact on plant stability, annualised rolled products production throughput for 2020 was 155 000 tons.

Key focus for 2021

- We continued to focus on exploiting the benefits associated with recycled metal units (specifically used beverage cans) in our metals division in line with our targets.
- Digital capabilities were further leveraged through the rollout of machine-learning multi-variate systems for process control and predictive maintenance.
- We executed our integrated maintenance shut down during April 2021.
- We continued a focus on ramping up Canstock production to target 14% against 2020's throughput rate.
- We continued to drive the execution of a cost-containment programme guided by the project hopper.

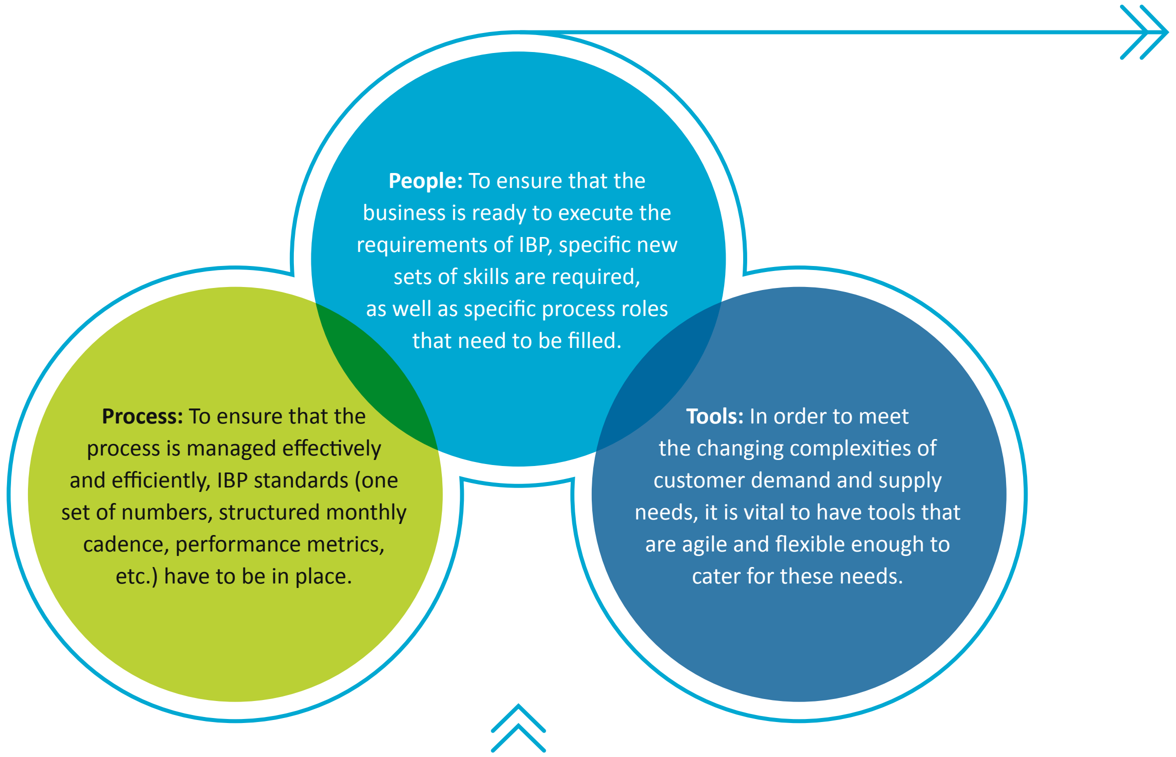


MANUFACTURED CAPITAL CONTINUED

Integrated Business Planning (IBP)

- Is a formal, best practice, five-step process that is led by senior management (Exco).
- Updates and makes changes to the product, demand and supply plans, and makes decisions to support the company's goals and objectives ahead of execution.
- Incorporates financial integration with formal gap-closing actions.
- Is done on a monthly basis and has a formal planning horizon of a rolling 0 – 24 months, with a strong focus on months four to 24 and a planned sign-off at the 12-week time fence.
- Reaches consensus on a single operating plan, to which executives check in on a monthly basis to allocate the required resources to meet the operating plan.

To ensure that IBP is successful, the following three main components are constantly being improved and managed accordingly.



Oversight

Hulamin has established an IBP steering committee. The objectives of the committee are to:

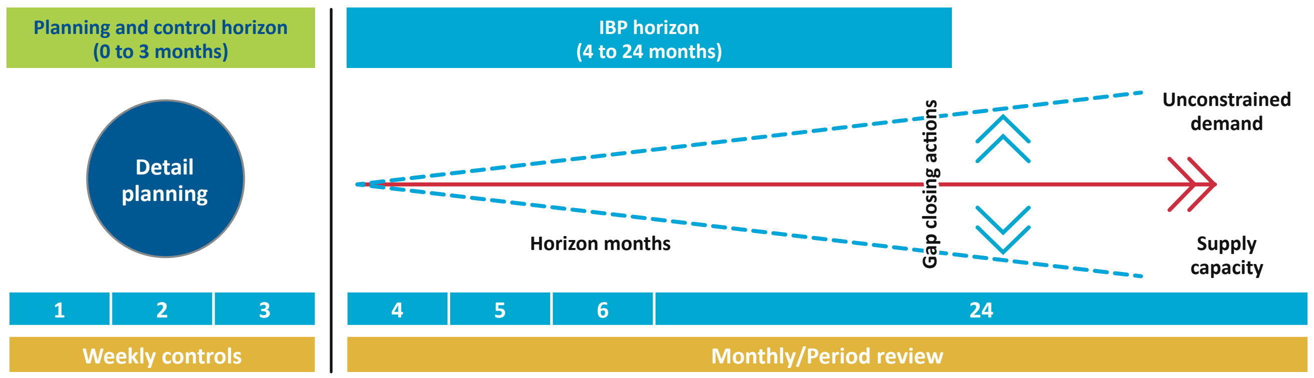
- Assist in achieving the outcomes of the project
- Make decisions on the priorities
- Identify potential project risks and monitor these risks
- Ensure project objectives are on track
- Make decisions about changes to the project

The steering committee is chaired by the executive in charge of IBP implementation. As the project sponsor, the Managing Director is also in attendance.

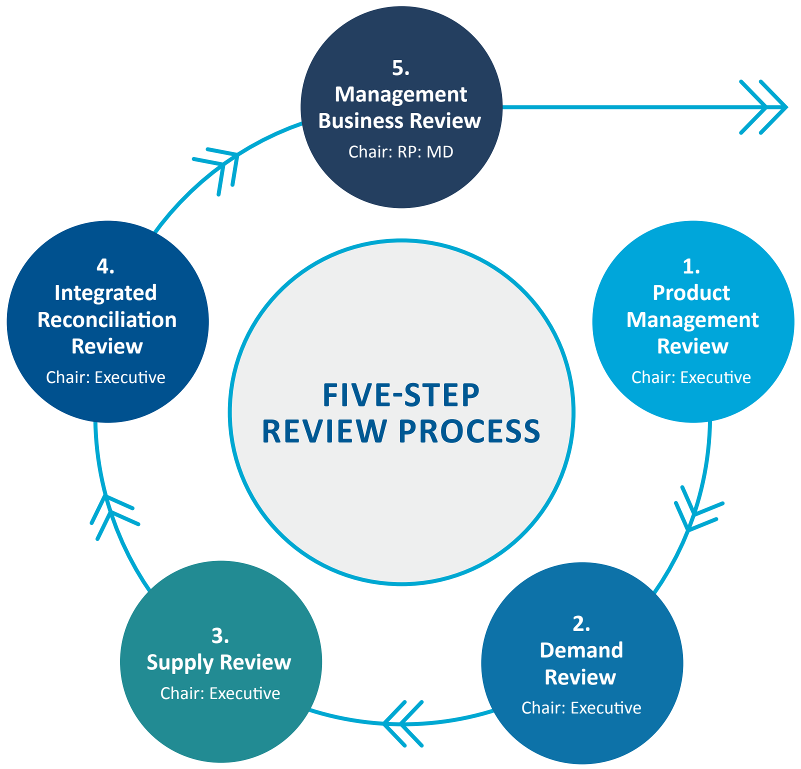
A set number of executive-led reviews are in place for each of the key business functions and they lead up to the Management Business Review (MBR), Hulamin's decision-making forum.

The IBP process and policy is documented, change management and buy-in to the IBP process is incorporated as part of onboarding of employees, and best practices are followed by continuously striving for Class A certification.

High-level view of IBP horizons



Hulamin IBP five-step review process



Key IBP success factors

- **Vision for IBP:** The organisation's vision of IBP is visible and communicated regularly.
- **IBP executive sponsorship:** This is led by the group CEO/RP: MD, to ensure that IBP is the decision-making process in the company. The MBR is the decision-making forum.
- **IBP design:** Oliver Wight methodology is used to achieve best practices for IBP, tailored to some extent to fit the Hulamin way of doing business. There is a five-step defined process with individual reviews.
- **Organisational alignment:** Product, demand, supply and financial plans are all linked to one operating plan (IBP Reviews). Continuous improvement culture is key. The budget/business plan sets the strategic direction.
- **Reports and tools:** IBP provides easily accessible reports, exception reporting and integrated tools to enable scenario planning. There are BI tools for reporting.
- **Technology supports strategy:** Specific software for planning tools has been selected to deliver one set of numbers for the business, both for IBP and for planning and control.
- **Results:** IBP is an enabler of improved company performance. Quantifiable results demonstrate the impact of IBP at Hulamin and agreed key performance indicators (KPIs) and results can be measured across several areas.
- **Change management:** IBP builds upon existing capabilities and improves in a sustainable manner to promote a culture of performance improvement.

IBP follows a formal monthly cadence of reviews, which are executive-led to ensure value and accountability:

Hulamin IBP monthly meetings timing

Week	Sat	Sun	Mon	Tues	Wed	Thurs	Fri
1						Product management review	
2			Stream demand reviews			Integrated demand review	
3			Manufacturing division reviews			Integrated supply review	
4			Integrated reconciliation			Management business review	

MANUFACTURED CAPITAL CONTINUED

Hulamin's approach to successful IBP

The following phases have been identified to optimise IBP.

Prior to 2021

PHASE 1: CHANGE MANAGEMENT

- Master planning process
- IBP education and awareness for the targeted group
- IBP buy-in
- Current diagnostics
- Current state
- Gaps to desired state

Prior to 2021

PHASE 2: ESTABLISH IBP PROCESS "WAY OF WORKING"

- Key IBP resources in place
- Five-step process reviews established
- Executive led reviews
- Replace the old master plan
- Integrated process designed
- One set of numbers

2021

PHASE 3: OPTIMISATION OF IBP PROCESS

- IBP process leader as an expert
- Structured meeting cadence
- Financial integration to IBP process
- Advanced planning tools trusted for decision-making

Future

2020 in review

Despite the Covid-19 challenges to how businesses operate, we were still able to keep momentum on the IBP front by ensuring that we conduct our business remotely. This is thanks in part to the technology that has been made available.

IBP activities in 2020

- The business embarked on a structured approach to drive growth, both in the long term and the short term. We structured the product management review (PMR), which is streamlining innovation and new product development initiatives. This is supported by a robust new product development forum and project management approach, which ensures our development efforts meet the milestones and deadlines that have been set. The product management review took some time to get going. However, it is now in place and is focusing on the governance of the product and the portfolio of the business. New product development forums are in place that focus on new product introductions, margin reviews and checks, as well as approving projects to work on.
- The demand planning process has been streamlined to provide the business with a single demand plan from "one source of the truth", and the process has shown an improvement in forecasting accuracy. Our target is to ensure that we achieve a higher than 95% accuracy which will benefit the business. We introduced demand review to manage and govern the demand planning process, and we continue to drive the optimisation of this process by upgrading our forecasting capability to be in line with industry best practice, and by improving problem solving through our structured methodologies to better understand our customers' demands.
- Manufacturing is fully aligned with the principles of IBP and continues to show good maturity with the process. We introduced supply review to ensure the overall alignment of current manufacturing capability, and to highlight gaps that need to be closed to meet business targets. A good understanding of our manufacturing capability has provided us with the appropriate tools to accommodate this complex process.
- We have a structured management forum that provides direction and guidance on issues or challenges originating from the above reviews. This decision-making forum follows a structured cadence on a monthly basis.
- We continue to improve and optimise our planning tools to be in line with changing customer requirements, both for demand planning and capacity planning.

Looking ahead to 2021

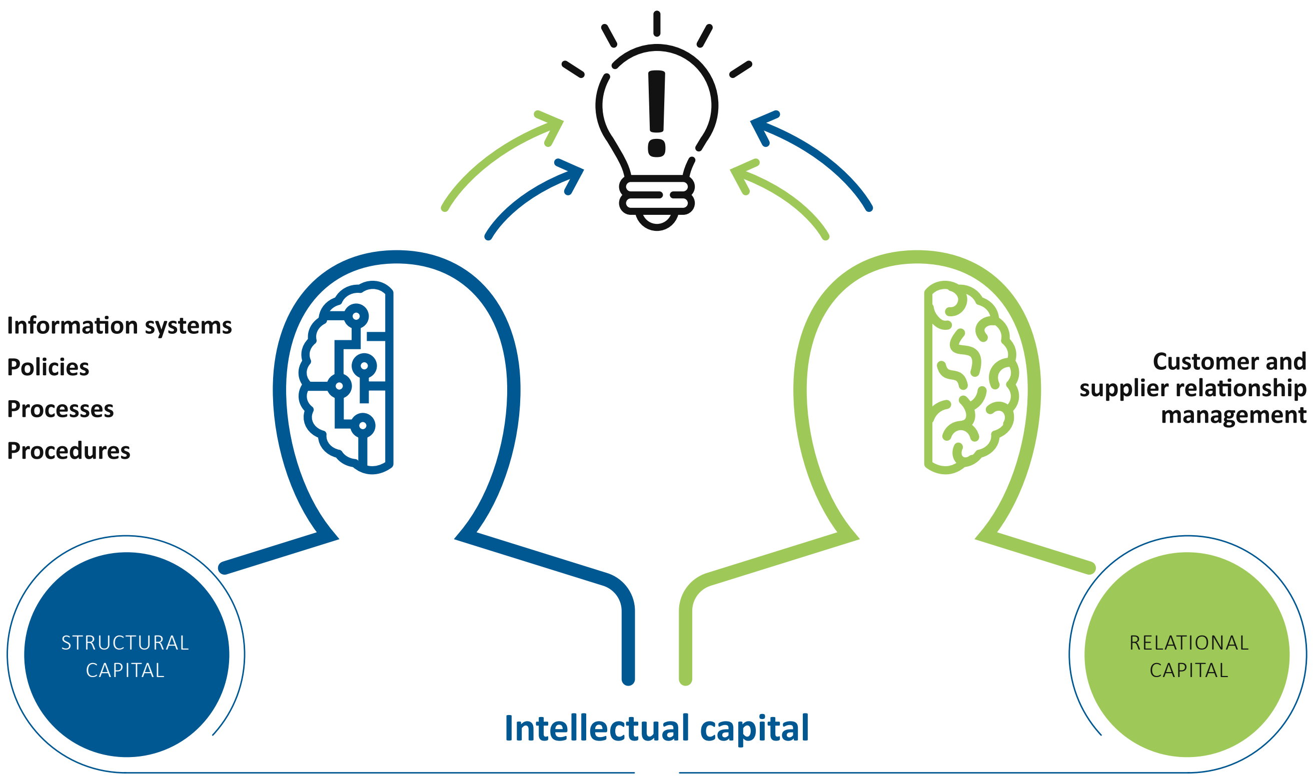
Despite still working with the limitations imposed by Covid-19 and the resultant limited face-to-face interactions, we are committed to ensuring that the IBP process is optimised and used to drive growth in the business.

Going forward, we will continue to optimise our processes and improve on each of the identified key areas. With our development efforts and the innovation pipelines that have been identified, the PMR remains a key focus area that will help the business grow. Our planning tools are being continuously optimised to deal with the complexities that exist within our business.

Class A attainment to ensure that we are delivering a best-practice IBP for Hulamin is an important milestone for 2021.

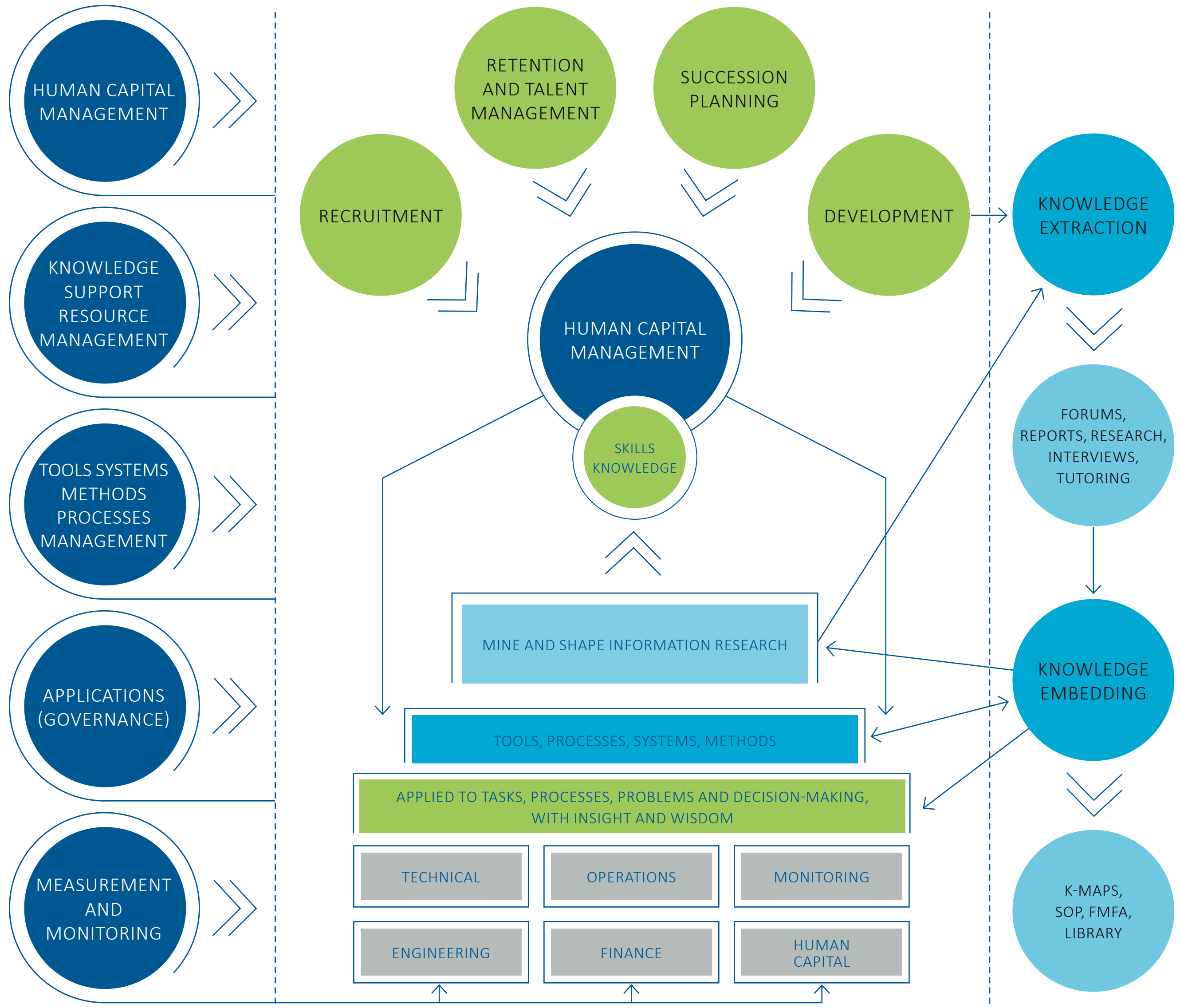
INTELLECTUAL CAPITAL

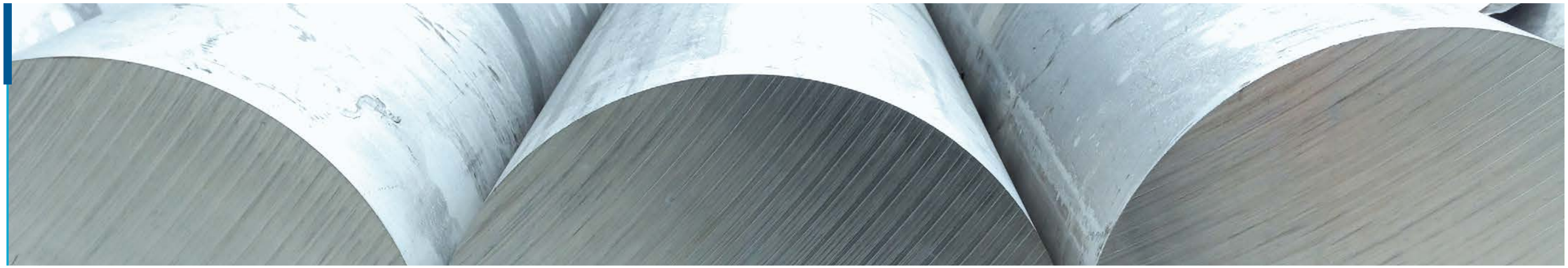
Intellectual capital encompasses the collective knowledge of Hulamin employees. It incorporates organisational and knowledge-based intangibles that includes structural and relational capital.



Strategy elements

Knowledge management model





NATURAL CAPITAL

The environment is an important, yet often overlooked, stakeholder in business. It plays an especially important role in industries that are built on the use of natural resources as key inputs for product creation.

Environment is a key stakeholder for Hulamin

The environment is an important, yet often overlooked, stakeholder in business. It plays an especially important role in industries that are built on the use of natural resources as key inputs for product creation. Whilst the large driver of environmental considerations in business has been regulatory compliance, the growing focus by customers, investors, and other stakeholders in Environmental Sustainability requires a focus, similarly to business and financial sustainability. Governments are responding to a changing landscape and international accords such as the Paris Agreement and industry collectives such as the Financial Stability Boards Task Force on Climate Related Financial Disclosures (FSB: TCFD) have made the impacts of climate change and the broader environmental discussion more mainstream. This has meant that business and investment decisions continue to look beyond financial performance.

The aluminium industry and the environment

Since the economic crisis of 2008, the aluminium industry in South Africa has faced many challenges resulting in negative growth in the industry. Among the reasons for the negative growth was the electricity crisis in South Africa; electricity is a key dependency for the industry. In looking to create and implement a recovery plan and subsequent growth trajectory for the industry in the short term, the focus is on the continued existence of the industry, underpinned by the continued primary smelting activities at South32's Hillside Smelter. This, in turn, is dependent on electricity supply and pricing agreements with Eskom.

The present juncture at which the South African aluminium industry finds itself presents an opportunity for the development of a greener industry. To continue with business as usual and secure industry supply of electricity from Eskom's coal-fired power stations may, in the short- to medium-term, keep the industry operational, but will also keep the South African aluminium sector behind the rest of the world in terms of Environmental Sustainability.

The sourcing of alternative energy and the generation of electricity using greener technologies is a discussion that many individual companies feel they have no influence over. Amongst other reasons, this may be attributed to:

- a lack of understanding by industry of what is within their control;
- limited information at their disposal for the cost of transforming their business; and
- limited pressure in the past for a greener supply chain.

This discussion is changing and not only are global customers developing a greater awareness of the environmental impacts of their decisions, but there is also increased production and availability of aluminium that is produced using greener technologies (and thus has a lower carbon footprint). Organisations are making strides in sufficiently advancing technology to reduce and even eliminate the production of greenhouse gases, in producing aluminium. This discussion has recently taken a step forward with Alcoa and Rio Tinto announcing in May 2018 that they have developed a process of producing aluminium that eliminates all direct greenhouse gas emissions from the smelting process. This is being driven by a joint venture between the two organisations named Elysis. Elysis will be responsible for the development and licensing of the technology, so it may be used for the retrofitting of existing smelters that eliminate greenhouse gas emissions from the smelting process.

For a full report on Natural Capital please click on the following link: https://.hulamin.com/about/sustainability

In the medium- to long-term aluminium has an advantage, being one of the most environmentally friendly metals. Hulamin sustainability report refers to the world's stock of aluminium in use as a resource bank, as around 75% of aluminium ever produced continues to be in use, with some of it having been through countless recycle loops. This has a dramatic impact on energy consumption and the carbon footprint in that, only 5% of the energy required to produce primary aluminium is needed to remelt aluminium for new uses (secondary aluminium production). The creation of the market for scrap in the mid-and downstream industries serves to complete the loop, demonstrating the critical role aluminium plays in the circular economy. Discussions with the aluminium industry association representatives revealed a desire for the sector to be fully circular in the longer term.

The Environmental Sustainability strategy under development will be supported by a data driven approach. Hulamin has engaged a specialist environmental firm to assist in the accurate assessment of its performance baseline that will enable evidence-based target setting going forward.

Hulamin has committed to resource efficiency through the creation of a dedicated role targeted at reducing energy, water, and other resource consumption, which, in turn, yields cost savings for the business. The resource efficiency team will work closely with the Executives who has recently been nominated to oversee Environmental Sustainability for Hulamin.

Hulamin's environmental performance has been disclosed comprehensively in the past Integrated Annual Reports and Sustainability Reports.

With the support of Promethium Carbon (carbon and climate change advisors), Hulamin has worked towards developing a target that would be approved by the SBTi. A thorough study was undertaken to understand all sources of emissions throughout our supply chain both upstream and downstream. It was found that, taken together, the contribution of emissions from aluminium and alumina production by our suppliers (Scope 3 emissions) were by far the largest contributors. Science-based targets were then developed for, firstly, our on-site Scope 1 (direct) and Scope 2 (indirect/electricity) greenhouse gas emissions and secondly, for our Scope 3 greenhouse gas emissions.

These targets were developed with a realistic approach to what is possible but are nonetheless a significant commitment to reducing our emissions over time. We are very proud to announce that in 2020 we had our science-based targets approved by the SBTi and we understand that we were the first aluminium semi-fabricator to achieve this distinction. The STBi approved the target indicated below:

"Hulamin commits to reduce absolute Scope 1 and Scope 2 GHG emissions by 30% by 2030 from a 2018 base year. Hulamin also commits to reduce Scope 3 GHG emissions by 24% per ton of aluminium produced by 2030 from a 2018 base year."

WE'VE HAD OUR SCIENCE-BASED TARGET APPROVED

CAPITAL OUTCOMES SCORECARD

Social and Relationship

		2020	2019	TARGET 2020
Taxation paid	(R'000)	**(28 231)**	(37 492)	Pay as required
Spending on corporate social responsibility	(R'000)	**2 840**	3 100	% of PAT
B-BBEE expenditure	(R million)	**5,631**	4,401	Pay as required
B-BBEE status	(Level)	**6**	6	5

Moving forward

Hulamin is committed to the advancement and transformation of the South African economy through the adoption of the B-BBEE framework.

Capital trade-off

Hulamin balances investment in communities and development of EMEs and QSEs with the return required by providers of capital.

Actions to enhance outcomes

- Contribute to the development of small, local businesses that have majority black shareholding.
- Promote job creation in the KwaZulu-Natal region.

Human

		2020	2019	TARGET 2020
Employee costs	(R'000)	**1 099 183**	1 200 513	Pay as required
Number of employees		**1 722**	1 937	As required
Lost time injury frequency rate		**0,22**	0	<0,45
Total recordable case frequency rate		**0,31**	0	<0,14

Moving forward

Embed strategic workforce planning ensuring the acquisition, retention, development and effective use of the people that the organisation needs. As part of our employment equity process, a key objective includes transforming representation on key strategic decision-making bodies at all levels in the organisation.

Capital trade-off

Investment in the safety of our people is of critical importance to Hulamin regardless of the production man-hours lost.

Actions to enhance outcomes

- Enhance the Hulamin Talent Pipeline Management Programme to build the capabilities of tomorrow.
- Optimise and enhance the retention of Africans and females by building a corporate culture that values transformation.
- Provide our people with the right safety information, direction and the competencies necessary to contribute to the success of our business.

Manufactured

		2020	2019	TARGET 2020
Capital expenditure	(R'000)	**140 280**	311 317	315 000
Repairs and maintenance	(R'000)	**274 099**	305 816	Sufficient to maintain
Depreciation and amortisation	(R'000)	**64 235**	136 224	Appropriate per capital spend
Rolled Products production volumes	(tons)	**155 000**	209 361	215 000

Moving forward

With the overlay of our digital strategy acquire improved manufacturing insights to provide market leading innovation in our products and their applications.

Capital trade-off

The overall objective of free cash flow generation is balanced against the need to maintain and invest in the assets of today.

Actions to enhance outcomes

- Continued adherence to the asset management strategy.

Natural

		2020	2019	TARGET 2020
Total CO_2 emissions	(CO_2/MT produced)	**1,99**	1,73	<2.23
Water consumption	(Kℓ/MT produced)	**2,86**	2,67	<2.5
Electricity consumption	(KWh/MT produced)	**1 401**	1 203	<1 150
Fuel gases intensity	(GJ/MT)	**9,66**	8,13	<9.6

Moving forward

Hulamin has laid out a plan to continue the development of the Resource Efficiency structure. A Resource Efficiency Technician joined the Resource Efficiency Manager during the period with further additions to the team to come in 2020.

Capital trade-off

Although energy efficiency savings require additional capital investment, the medium- to long-term benefits outweigh the cost of investment.

Actions to enhance outcomes

- Continue to increase scrap inputs where possible to decrease reliance on natural resources.
- Continue to improve Hulamin's Carbon Footprint Reporting and other disclosure initiative.

Financial

		2019	2018	TARGET 2019
Operating profits/(loss)	(R'000)	**(72 490)**	(1421 404)	>560 000
Free cash flows	(R'000)	**(484 675)**	221 970	>100 000
Net debt to equity	(%)	**34,6**	10,6	8
Headline earnings per share	(cents)	**(68)**	(76)	>119

Moving forward

Free cash-flow generation is the base requirement to unlock the group's medium-term and long-term strategy.

Capital trade-off

The group balances the return required by the providers of capital with the requirements of all other stakeholders.

Actions to enhance outcomes

- Continue to drive cost optimisation programme.
- Sustain reduction in inventory and trade receivable days on hand.
- Increased sales volumes aligned to new mix enhancements.

CORPORATE GOVERNANCE

OUR APPROACH TO GOVERNANCE

Governing structure and delegation

Hulamin views the implementation of good governance practices as integral to its business and recognises the need to conduct its business with openness, integrity and accountability.

The board has delegated, through formal terms of reference, specific matters to a number of committees whose members and Chairpersons are appointed by the Board. There is full disclosure of matters handled by the committees to the Board.

The committees play an important role in enhancing high standards of governance and achieving increased effectiveness within the group. For further information on the core responsibilities and composition of our committees, and the attendance records of the Board and Board committee meetings, refer to our separate Governance Report available on our website.

Board committees

Board of Directors

- Audit Committee
- Risk Committee
- Remuneration and Nomination Committee
- Social, Ethics and Sustainability Committee
- Chairman's Committee

Group executive committees

Executive Committee

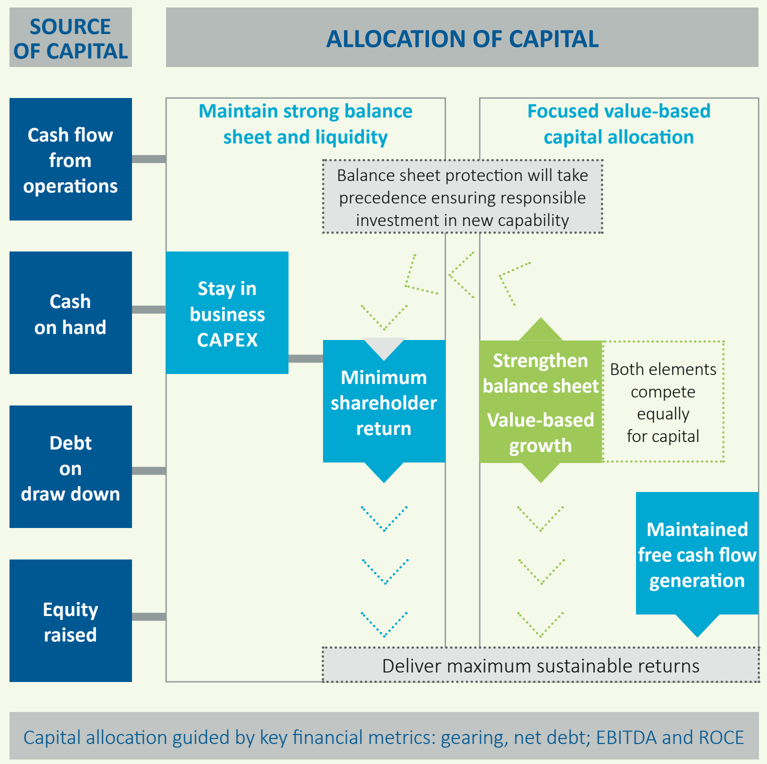
- Safety, Health and Environment Committee
- Risk Management Committee
- Technology and Information (TI) Management Committee
- Broad-based Black Economic Empowerment (B-BBEE) Committee

In driving the strategy, the Executive Committee's overarching trade-off has been against the objective of generating free cash flow. Below is further context to the considerations the Executive Committee had to make during the 2020 financial-year.

Leadership roles and functions

The board is led by an independent non-executive chairman. The role of the chairman is distinct and separate from that of the Chief Executive Officer and the separation of responsibilities is designed to ensure that no single person has unfettered decision-making powers and that an appropriate balance of power and authority exists on the board. The Hulamin group board provides strategic leadership to the group with due regard to all stakeholders.

The Executive Committee is responsible for delivering the strategic objectives set by the board of directors. The group executive committee is an experienced management team that comprises the Chief Executive Officer, the Chief Financial Officer and other suitably qualified and experienced members of senior management. The Executive Committee strives to allocate capital and resources in the best way possible to create sustained value for all stakeholders. Given the constrained and interconnected nature of the capitals we rely on, we must make tough choices about where to allocate our resources to generate sustained value.



OUR APPROACH TO GOVERNANCE CONTINUED

The Board at a glance

The Board is the custodian of corporate governance. The Board has adopted the King IV Report on Corporate Governance for South Africa. Our adherence to each of the principles contained in the code is available in our Governance Report that is available on our website.

The Board's primary role and responsibility is to bring independent, informed and effective judgement and leadership to bear on the material decisions of the company.

The Board comprises the appropriate balance of knowledge, skills, experience and independence to effectively discharge its roles and responsibilities. The diversity in its membership across various attributes creates value by promoting better decision-making and effective governance.

Refer to our website for a detailed resume of the Board of Directors. Further information about our board is provided in our Governance Report that is available on our website.

BOARD DEMOGRAPHICS

ACI: African, Coloured and Indian

BOARD SKILLS COMPOSITION

Board committees

	Year of appointment	Age	Audit	Risk	Remuneration and Nomination	Social, Ethics and Sustainability	Chairman's
Independent non-executive directors							
TP Leeuw (Chairman)	2007	57		Member	Member		Chairperson
CA Boles	2016	51	Member		Chairperson[5]		Member[5]
RL Larson	2017	65		Member			
N Maharajh	2016	54	Chairperson	Member			Member
NNA Matyumza[1]	2010	57	Member		Chairperson		Member
Dr B Mehlomakulu	2016	48	Member[6]	Member		Member	
GHM Watson	2011	69		Chairperson	Member		Member
Non-executive directors							
VN Khumalo	2006	58				Chairperson	Member
SP Ngwenya	2007	67				Member	
GC Zondi (Alternate)	2016	47					
Executive directors							
RG Jacob (CEO)	2010	55		Member		Member	
LM Farquharson[2]	2020	48		Member[2]			
AP Krull (CFO)[3]	2016	46		Member			
MZ Mkhize[4]	2007	59		Member			

Directors ages are quoted as at 31 December 2020

1 *NNA Matyumza resigned as director with effect from 30 July 2020*
2 *LM Farquharson appointed as Acting CFO and Director and member of Risk Committee for the period 1 November 2020 to 31 March 2021*
3 *AP Krull resigned as director 31 October 2020*
4 *MZ Mkhize resigned as director 28 February 2020*
5 *CA Boles appointed Remco Chairperson and member of Chairman's Committee with effect from 1 August 2020*
6 *B Mehlomakulu appointed member of Audit Committee with effect from 1 August 2020*

Value creation through governance

Activities

- **Leadership, ethics and corporate citizenship**
- **Strategy, performance and reporting**
- **Risk, oversight and compliance**
- **Remuneration**
- **Stakeholder relations**
- **Corporate governance**

Provides responsible, accountable and transparent leadership and holds the Executive Committee accountable for the performance against strategic objectives

Value created

Culture and values
See page 9 of this report

Delivering strategy
See page 37 of this report

Delivering stakeholder value
See page 26 of this report

The Social, Ethics and Sustainability Committee

The Social, Ethics and Sustainability Committee's key responsibilities are:

- Recommend to the Board the strategies and policies to be adopted to ensure the group's Social, Ethics and Sustainability targets are achieved.
- Align the group's Social, Ethics and Sustainability strategy with its overall business strategy.
- Monitor the implementation and efficacy of the employment equity, black management development, black equity ownership, preferential procurement, skills and enterprise development and socio-economic initiatives of the group.
- Monitor activities relevant to social and economic development, good corporate citizenship, environment, health and safety and consumer relationships.
- Review policies and statements on ethical standards, the code of conduct for suppliers and service providers and on whistle-blowing.
- Oversee and monitor the implementation of safety, health and environment policies, strategies, targets, plans and systems and review the safety, health and environment risk profile.
- Risk Oversight

  The committee is an integral component of the risk management process and specifically the committee shall oversee the risk management, activities relative to:

  B-BBEE, Social and economic development, Good corporate citizenship, Environment, health and public safety, Consumer Relationships, Labour and employment, Ethics Stakeholders (Reputation Risk), Supply chain management, Sustainability Report to the Chairman of Risk Committee on the above risks in the format agreed and approved by the board.

Key areas of focus of the committee during the reporting period are set out in Annexure A of the AGM notice.

Key areas of future focus will be to monitor the implementation of the transformation plan.

Further details on this, and other committees, can be found in our governance report at www.hulamin.co.za

REMUNERATION REPORT

CHARLES ALEXANDER BOLES

Composition of the committee:

Chairman (Remuneration)
NNA Matyumza
(retired 30 July 2020)

CA Boles
(appointed from 1 August 2020)

Chairman (Nominations)
TP Leeuw

Other member
GH Watson

PART A

The Chairperson's statement

Dear Shareholders

It is with pleasure that I present to you the remuneration report for the 2020 financial year, on behalf of the Remuneration and Nomination Committee (Remco). The purpose of this report is to provide stakeholders with a detailed summary of the organisation-wide philosophy and policy pertaining to remuneration at Hulamin. In accordance with Hulamin's dedication to being a responsible corporate citizen, this report has been aligned to follow best practice reporting standards, incorporating the King IV Report on j1 (King IV™) and the Johannesburg Stock Exchange (JSE) Listings Requirements.

In almost all areas of the business, 2020 was a challenging year for Hulamin. In this context, no short-term incentive (STI) bonus was paid due to the business not achieving financial performance targets. Employees outside the bargaining unit were not awarded salary increases on the back of the restructuring exercise undertaken in 2019, and as a result of the focus on cost containment. The 2016 Share Appreciation Rights scheme ("SARs") award scheduled to vest in 2020 also did not vest as a result of financial performance targets missed in 2019.

Mrs NNA Matyumza retired from the Hulamin Board in 2020. Mrs Matyumza had been a Board member since March 2010, had been a member of the Remco since January 2012, and had chaired the Remco since October 2012. The Remco would like to express its appreciation for her service to the committee during this time.

REMCO focus areas during 2020

In addition to Remco's normal responsibilities, the Board requested that it find ways of harnessing additional employee discretionary effort to increase sales volumes, which have declined so notably during the Covid-19 pandemic months.

In the first quarter of 2020, with the rapid spread of Covid-19 and governments around the world introducing lockdowns, it became clear that 2020 production and sales targets would not be achieved. Accordingly, Remco took the decision that the STI targets could not be achieved. Business focus during the first half of the year was primarily on efforts to reduce costs and return to profitability through increasing sales, and on protecting employee well-being during the second and third quarters.

During the third quarter the Remco responded to the Board's request, and proposed offering employees a simplified, scaled-down incentive based loosely on the existing STI rules, and applicable to the fourth quarter of 2020 only. The primary objective of this incentive was to return the business to profitability in the fourth quarter through increased sales volumes.

The performance measure used for the incentive was actual sales volume achieved versus the agreed target, with the pay-out value limited to 10% of profit (EBIT) earned in the fourth quarter. In this way, the incentive was self-funding and served to drive shareholder value.

The Remco has obtained the support, advice and opinions of external advisors on various remuneration-related matters. The Remco is satisfied with the constructive, objective and independent advice received.

Management remuneration – a dynamic context

Issues around executive remuneration, disparities in pay, and transparent disclosure remain topics that stimulate widely diverse opinions in South Africa. Cognisant of these issues, the Remco has continued to implement initiatives and policy changes in line with King IV™ and the JSE Listings Requirements.

In addressing the requirements of the Employment Equity Act 55 of 1998 in relation to the principle of equal pay for work of equal value, the Remco has developed a Fair and Ethical Pay framework. In addition, when annual salary (inflationary) increments are applied, adjustments are weighted in favour of employees at lower remuneration levels.

In line with best practice, King IV™ and the JSE Listings Requirements, we will continue to submit the remuneration policy (Part B) and the implementation report (Part C) for separate, non-binding advisory votes at AGMs.

Shareholder engagement

In line with best practice and our value of remuneration being aligned with shareholders and their interests, we regularly engage with shareholders, as and when required.

Appreciation

The Remco is satisfied that we properly executed our duties in terms of our mandate for the FY2020. At the AGM held on 30 July 2020, Hulamin received a 95.90% non-binding advisory vote in favour of its remuneration policy and 96.10% in favour of its implementation report. We would therefore like to thank our shareholders for their ongoing support as we continually seek to align shareholder interests and remuneration. We at Hulamin and, particularly, the Remco, are steadily continuing on the journey of implementing best practice standards in our remuneration reporting and disclosure.

CA Boles
Chairman of the Remuneration and Nomination Committee

25 March 2021

REMUNERATION REPORT CONTINUED

PART B

The forward-looking remuneration policy

The Remco is a sub-committee of the board of Hulamin (the "Board") with delegated authority. Hulamin's remuneration policy is reviewed annually by the Remco and submitted for approval by the Board. The Remco's responsibilities and actions are set out and governed in its terms of reference, read together with Hulamin's remuneration policy and other applicable documents.

The Remco meets at least three times per annum. The Remco members and their meeting attendance record for FY2020 is detailed below:

Member	2 March Scheduled	11 August Special	20 August Scheduled	6 October Scheduled	17 November Special
NA Matyumza	✔				
CA Boles	✔	✔	✔	✔	✔
TP Leeuw	✔	✔	✔	✔	✔
GH Watson	✔	✔	✔	✔	✔

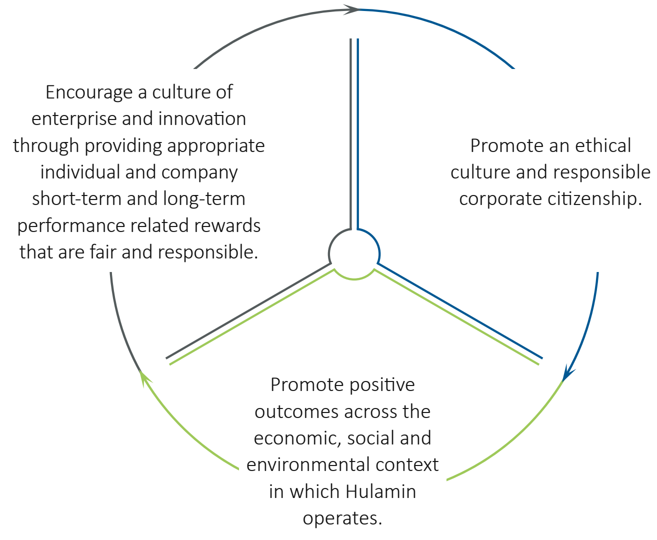
In 2020, scheduled Remco meetings were held on 2 March, 11 August, and 17 November, with two additional special meetings on 20 August and 6 October.

Management members who are invited to attend Remco meetings are excused when their remuneration is discussed, and do not participate in any vote at the meeting.

Remuneration philosophy

The purpose of the remuneration policy is to provide principles and guidelines on an organisation-wide remuneration structure. This includes the management of remuneration practices that enable Hulamin to attract, motivate, retain and reward the most talented employees – a key component of the integrated human resources strategies that support the achievement of Hulamin's strategic objectives. The philosophy serves to align the interests of management and shareholders, and is communicated clearly to employees concerned.

Hulamin's remuneration philosophy through the application of this policy, aims to:



Hulamin's remuneration philosophy is geared towards pay for performance within the boundaries of the company's risk appetite, and is cognisant of the need to guard against windfalls or undue penalisation due to factors outside of employees' control. Variable pay should not be unduly affected by the performance of a particular operation in which an employee works, where factors outside the employee's control affect the company's financial results (e.g. commodity price or currency fluctuations).

Fair and responsible remuneration

The Board, supported by the Remco, gives due consideration to the principle of fair and responsible remuneration. As there is no one-size-fits-all solution, the Remco must review and approve initiatives, policies and arrangements to give effect to this principle, in line with best practice and bearing in mind the company's strategic objectives.

The Remco must ensure that executive remuneration (including the remuneration of prescribed officers) is justifiable in the context of overall employee remuneration. The Remco may make recommendations to the Board and assist in taking the following actions:

Investigating and assessing the internal pay disparities within the Company.

Examining the underlying reasons for pay disparities, if any.

Reviewing Hulamin's internal Gini coefficient to assess the level of income disparity in Hulamin.

Conducting an assessment of pay conditions between employees in line with the principle of equal pay for work of equal value.

In striving to be a responsible corporate citizen, Hulamin continuously considers initiatives to nurture the principle of fair and responsible remuneration, and to improve the employment conditions of all employees within the company. Hulamin will adopt progressive measures to address identified pay disparities, as deemed necessary from time-to-time.

Remuneration mix

Structure of packages

The quantum, structure, composition and mix of remuneration packages supports Hulamin's strategic objectives, is market related, and is aimed at being competitive in our industry. To this end, market surveys are conducted annually and used as input where action is required to ensure that the above principles are applied fairly to all stakeholders.

The appropriate mix between guaranteed and variable pay (including the short- and long-term elements of remuneration) are reviewed by the Remco and the Board from time to time, taking market trends into consideration. The Remco ensures that the variable components of remuneration are designed to ensure an appropriate level of risk to the company and its long-term objectives, avoiding any possible over-dependence on its variable components.

Note that at lower salary levels, variable pay constitutes a smaller proportion of total remuneration.

Total guaranteed pay (TGP)

Cash salary	The major portion of guaranteed pay consists of a cash salary. Regular benchmarking exercises are conducted to ensure that Hulamin employees' cash salary is market related and appropriately competitive.
Employer contributions	Guaranteed pay also includes an employer contribution to a company-approved retirement fund and medical aid, as well as a cellular phone allowance based on the employee's grade, and a 13th cheque amounting to 10% of the annual basic salary for all employees from lower E-band and below.
Premiums	It is recognised that market premiums may be necessary to attract and retain scarce skills and members of designated groups. These are incorporated into the employee's cash salary.
Other benefits	In addition to retirement funding and medical aid, Hulamin offers a gratuity to retiring staff with a minimum of 10 years' service, based on the length of their service and their final salary. Middle and senior management are offered general accident insurance.
Positioning	Hulamin's aim is for guaranteed pay to be in line with the market median, recognising that there are cases of differentiation (i.e. within a range of the market median) based on individual performance and value to the business.
Salary reviews and increases	Annual cash salary increases for individuals are largely inflationary adjustments. Other factors taken into consideration include an individual's pay relative to the market, their performance, and their anticipated future value to the business. Performance ratings are normalised both within an employee's department, and between departments, to ensure that ratings approximate a normal distribution. In cases where pay anomalies are identified, attention is given to adjusting the employee's pay in line with the market, their value to the business and their performance. The aggregate of all annual increases is adopted as a firm upper limit not to exceed the average overall increase approved by the Board. The salary increases of executives are considered individually by the Remco when determining the average increase for other employees.
Performance	Performance below expectations is not tolerated and actions (such as performance counselling or disciplinary actions) are taken to ensure that poor performers either improve their performance or exit the company. During the period in which under-performance is being addressed, the employee's salary increases would be below average for their grade.

REMUNERATION REPORT CONTINUED

Variable pay

Short-Term Incentive Bonus (STI)

The primary purpose of the STI is to serve as a motivator of performance over the short term. Refinements to the STI are considered from time to time to improve the efficacy of the scheme.

The STI is based on a combination of corporate financial targets, divisional operational targets, and individual performance.

Financial capital – Encourages employees to meet Hulamin's liquidity profile and future cash requirements for a more profitable business, ultimately increasing shareholder value.

Financial performance conditions are based on an equal weighting of Board-approved annual budgets by division:

- Earnings before interest and taxes (EBIT)
- Operational cash flow

Manufacturing capital – Encourages employees to meet Hulamin's operational objectives, aligning employees' discretionary efforts with company goals, ultimately increasing shareholder value.

Operational performance targets are based on the Board-approved annual budget by division:

- Sales volumes measured in tons, intended to increase total sales;
- Manufacturing costs and employee costs, including overtime, discretionary costs and a "metals" component, to encourage recycling of scrap metals;
- Rolling margins measured in US$ per ton, as a measure to improve the quality of sales volumes;
- Overall recoveries as a percentage of throughput, intended to improve efficiencies;
- Working capital as a percentage of revenue, used to drive down working capital, specifically inventory;
- Safety performance, measured in total recordable case frequency rate.

Individual key performance areas (KPAs) address the achievement of strategic business objectives across the following general areas:

- Financial performance
- Budgetary/cost control
- Transformation
- Safety
- Risk management

The STI scheme consists of six different levels. The percentage of TGP payable for on-target performance under the six levels is reflected in the table below:

Position	Grade	STI on-target % of TGP	STI stretch % of TGP
CEO	FU	60	150
CFO	FL	50	125
Other executives	FL	40	100
Senior management	EU	33	82.5
Senior management	EL	25	52.6
Middle management	DU – DL2	15	37.5

In the event of early termination of employment due to resignation or dismissal, there is no entitlement to a bonus payment. In the case of retirement, retrenchment and death in service, there is a *pro rata* entitlement, paid to the participant at year end, along with all other participants.

The payment of bonuses for each component of the respective awards is determined independently from the other components.

The weightings of the targets are as follows:

Position	Grade	% Financial performance	% Operational performance	% Safety performance	% Individual performance
CEO	FU	60	10	10	20
CFO	FL	50	20	10	20
Executives	FL	40	30	10	20
Senior Management	EU	30	40	10	20
Senior Management	EL	20	40	10	30
Middle management	DU – DL2	10	40	10	40

The Remco and the Board have the discretion to decide on the payment or non-payment of performance-incentive bonus awards.

Long-Term Incentives (LTIs)

The variable-pay component of Hulamin's remuneration packages is structured to include LTIs for executives and senior management that are market-related and linked to Hulamin's performance.

The primary purpose of the LTIs is to incentivise employees to achieve the long-term objectives of the company, specifically objectives that have multi-year durations, and to retain key talent.

Financial performance conditions are included in order to align with shareholder interests.

Financial capital – Performance measures drive increases in the value and return on the investments made by Hulamin's shareholders.

ECSP – Equity-settled Conditional Share Plan

The ECSP provides for three types of conditional shares, each with three-year vesting periods.

Retention Shares (RS). Awarded selectively by the Remco to attract and retain executive and senior management, the vesting of which is subject to the satisfaction of the conditions of employment. The value of these shares is limited to 25% of any employee's TGP.

Performance Shares (PS). Awarded only to executives and senior management, the vesting of which is subject to satisfying performance conditions and conditions of employment in line with the group's approach to performance-related incentives.

Bonus Shares (BS). Awarded to executives, senior and middle management, the value of which is determined as a percentage of the STI based on performance in the previous financial year, and the vesting of which is subject only to meeting the conditions of employment.

In line with best practice, regular annual awards of Bonus Shares and Performance Shares are made to ensure long-term shareholder value creation and alignment with acceptable market norms. In addition, the award of Retention Shares is for use in cases where there is a specific need to attract or retain talent.

Annual awards target a market-related level of remuneration, whilst considering the overall affordability of these awards to the company.

Bonus Shares are not subject to additional performance conditions. This is due to the fact that they have an "entry performance requirement", where the quantum of the Bonus Shares is determined with reference to the actual STI paid to the participant based on the prior financial year's performance.

The extent and nature of performance conditions applicable to the Performance Shares awarded in terms of the ECSP are approved by the Remco annually and are included in the award letter to participants.

Performance Share awards made to the participants are subject to the following performance conditions, measured over a three-year performance period:

Total Shareholder Return (TSR)

- Weighted 1/3.
- Measured against the JSE Small Cap Index over the three-year vesting period, including dividends declared over the vesting period.

Return on Capital Employed (ROCE)

- Weighted 2/3.
- Measured against the accumulated ROCE, based on the prior year's Board-approved business plan.
- The Board has discretion to adjust the base ROCE for major changes in capital employed during the vesting period.

Executives and senior managers may be offered annual LTI awards in terms of the annual allocation levels (as a percentage of TGP), based on the benchmarks set out below:

Position	Grade	BS as % of TGP	PS as % of TGP	Total ECSP Award face value as % of TGP
CEO	FU	24	36	60
CFO	FL	20	30	50
Other executives	FL	16	24	40
Senior management	EU	13	20	33
Senior management	EL	10	–	10
Middle management	DU	6	–	6

Dilution limit applicable to the ECSP

The ECSP is implemented within the shareholder-approved dilution limit. The maximum aggregate number of shares that may be acquired by participants may not exceed 15 650 000 shares (5% of issued share capital), with the maximum for any one participant being 3 130 000 shares (1% of issued share capital).

The Remco reviews the dilution limit usage and the headroom before an LTI award is made to ensure that neither the company limit nor the individual limit is exceeded. The current share usage is set out in Part C of this report.

Manner of settlement of LTI awards

The rules provide for the following methods of settlement:

- Purchase shares off the market
- Use of Treasury shares
- Issue of new shares (within the dilution limit)
- Cash settlement

The company generally settles the awards through the purchase of shares in the market. The exact method of settlement is determined by the Remco with reference to the dilution limits and the business cycle.

REMUNERATION REPORT CONTINUED

Early termination of employment

Employees may be classified as either a "fault" leaver or a "no-fault" leaver, depending on the circumstances under which their employment is terminated. The provisions below apply to the ECSP, as well as the legacy Share Appreciation Rights (SARs) scheme.

No-fault leavers (employees who terminate employment due to death, retrenchment or retirement (including ill-health), as well as the sale of a subsidiary company)	No-fault leavers receive a *pro rated* portion of unvested awards (accelerated vesting) to the extent that performance conditions (if any) were met, and in the case of vested share appreciation rights (SARs), must exercise within six months from the date of termination of employment.
Fault leavers (employees who terminate employment due to resignation, or dismissal)	Fault leavers forfeit all unvested awards as well as vested but unexercised SARs, to the extent that they remain unexercised on the date of termination of employment.

Legacy plans

Following the introduction of the ECSP in 2018, for the time being there still remain a number of residual awards from Hulamin's legacy plans, the SARs and the Long-Term Incentive Plan (LTIP). No further grants will be made under the legacy plans.

The overall quantum of awards granted under the SARs and/or LTIP is determined by the Remco annually, based on the LTI allocation methodology and considering relevant market trends, current business issues, and the limits contained in the rules and guidelines of the schemes.

The SARs were offered in the form of performance-based conditional awards to eligible executives and senior managers. The performance conditions governing the vesting of the SARs were related to growth in headline earnings per share (relative to targets that were intended to be challenging but achievable), linked to the company's medium-term business plan, over three-year performance periods.

Under the LTIP, once-off shares were offered to executives and eligible senior employees in order to attract and retain top talent. These LTIP awards did not bear performance conditions, vested over a three-year period based on tenure, and were specifically approved by the Remco.

2015 Employee Share Ownership Plan (2015 ESOP)

The objectives of the 2015 ESOP are primarily:

To attract and retain high-calibre black employees at every level of the Hulamin business	To create a sense of ownership amongst employees and engender an ownership culture within the greater Hulamin workforce	To distribute a significant portion of the B-BBEE transaction benefits amongst the widest possible group of beneficiaries who are critical to the sustained success of the business

As Hulamin values its employees as key contributors to the ongoing performance and success of the business, all permanent South African-based employees up to middle management (up to Paterson lower D Band) and all permanent black South African middle and senior management (Paterson upper D band and above) participate in the 2015 ESOP.

Participation has been through two classes of "A" ordinary shares, 15% of which were issued with no strike price ("A1") and 85% of which are appreciation rights ("A2"). During the vesting period, both classes of share participated in dividends declared by the company. The A1 ordinary shares were entitled to a cash dividend, but for the A2 ordinary shares the dividend is to be utilised to reduce the strike price of the right at the time of vesting.

Both classes of shares were scheduled to vest after five years (22 December 2020). The A1 ordinary shares did vest and were converted to Hulamin ordinary shares on a one-for-one basis. On vesting, the appreciation of the A2 ordinary shares will be converted to Hulamin ordinary shares and the balance of the unvested portion of A2 ordinary shares bought back by the company at a nominal value.

At special general meetings of shareholders of the company in December 2020, the terms of the ESOP were changed along with the terms of the broader BEE transaction. In summary, the changes approved at this meeting were as follows:

- The vesting period of the A2 ordinary shares was extended another five years to vest in February 2026; and
- A new class of A3 ordinary shares were approved for distribution to qualifying employees. These A3 shares are scheduled to vest in five years, in February 2026.

Executive conditions of employment

With the exception of notice periods, executives are employed under the same employment conditions as other staff.

The notice period for the CEO is three months and the notice period for other executives is two months. Hulamin reserves the right to terminate an executive's employment, without notice, for any cause deemed sufficient by law.

Succession planning for the CEO is in place.

Executive employment contracts do not allow for payment of any additional benefits or balloon payments on termination, other than those that apply to all staff employees.

In the event of early termination there is no automatic entitlement to bonuses or share-based incentives. Executives may, however, receive *pro rata* payment as allowed in terms of the "no-fault" provisions contained in the early termination clauses of the company's incentive scheme rules.

In terms of executives' employment contracts, there is no automatic severance compensation to executives due to a change of control. In such cases, Hulamin's retrenchment policy will apply.

Non-executive directors' (NEDs) fees

NEDs receive fees for serving on the Board and Board committees, and do not have service agreements with the company. NED fees are paid in cash on the basis of a fixed retainer and an attendance fee per meeting. The Board typically holds five Board meetings per year and there are usually three meetings for each of the sub-committees of the Board throughout a financial year.

Attendance at additional sub-committee meetings is remunerated at the standard remuneration rate for attendance at scheduled meetings of such committees. Attendance fees for *ad hoc* Board committee meetings are equivalent to those earned by members of the Remco. Disbursements for reasonable travel and subsistence expenses are reimbursed to NEDs in line with the reimbursement policy for employees.

Fees for NEDs are reviewed on an annual basis, taking into account the responsibilities borne by NEDs as well as relevant external market data. Fees are recommended by the Remco, submitted to the Board for approval, and finally recommended to the shareholders for approval at each AGM. NED fees were not increased during 2020.

NEDs are to retain their independence, and as such they neither receive payments linked to the company's performance nor do they participate in the company's incentive schemes.

The proposed fees will be tabled before shareholders for approval by special resolution at the 2021 AGM:

		Present fees to 31 July 2021		Proposed fees from 1 August 2021		
Figures in Rand		Annual retainer	Attendance per meeting	Annual retainer	Attendance per meeting	% change
Chairman of the Board		477 410	40 920	491 730	42 150	3
Member of the Board		174 450	14 950	179 680	15 400	3
Chairman of the Audit Committee		125 550	17 930	129 320	18 470	3
Member of the Audit Committee		72 950	10 430	75 140	10 740	3
Invitee of the Audit Committee			10 430		10 740	3
Chairman of the Risk and safety, Health and Environment Committee		86 690	12 380	89 290	12 750	3
Member of the Risk and Safety, Health and Environment Committee		47 580	6 800	49 010	7 000	3
Invitee of the Risk and Safety, Health and Environment Committee			6 800		7 000	
Chairman of the Remco		86 690	12 380	89 290	12 750	3
Member of the Remco		47 580	6 800	49 010	7 000	3
Invitee of the Remco			6 800		7 000	3
Chairman of the Transformation, Social and Ethics Committee		86 690	12 380	89 290	12 750	3
Member of the Transformation, Social and Ethics Committee		47 580	6 800	49 010	7 000	3
Invitee of the Transformation, Social and Ethics Committee			6 800		7 000	3
Chairman of an *ad hoc* Board Committee		82 560	12 380		12 750	3
Member of an *ad hoc* Board Committee		45 310	6 800		7 000	3
Invitee of an *ad hoc* Board Committee			6 800		7 000	3
Fees for international NEDs	(€)	31 320	2 680	31 570	2 700	0.8
Fees for international NEDs	($)	31 760	2 720	31 950	2 740	0.6

Voting and shareholder engagement

Voting on the Remuneration Policy and Implementation Report

In line with King IV™ and the JSE Listings Requirements, the remuneration policy and the implementation report (as contained in the annual integrated report) will be tabled for two separate non-binding advisory votes by shareholders at the AGM.

Shareholder engagement

Hulamin is committed to fair, responsible and transparent remuneration, and as such invites shareholders to engage with the company on remuneration-related matters.

In the event that 25% or more of the shareholders vote against the remuneration policy and/or the implementation report, the Remco will commence engagement with dissenting shareholders to ascertain the reasons and legitimate concerns underlying their votes. In order to do so, the Remco will extend an invitation to dissenting shareholders in the Stock Exchange News Service (SENS) announcement together with the results of the AGM, setting out the manner, date and timing of the engagement.

Method of engagement may include:

Emails, written correspondence, telephone calls, video conference calls, one-on-one meetings, investor roadshows and other methods of communication to the relevant contact persons at the shareholders, after the AGM concerned (and throughout the financial year) regarding the reasons for the dissenting votes.	Responses to shareholder queries explaining, in more detail, the elements of the remuneration policy that caused concern. Where appropriate, the Board may resolve to amend certain elements of the remuneration policy to align the policy to market norms.

REMUNERATION REPORT CONTINUED

PART C

The implementation of the remuneration policy

This implementation report is subject to an advisory vote by shareholders at the AGM dated 27 May 2021.

Total guaranteed pay

The Remco approved a three percent annual salary increase for both the executive and non-bargaining unit employees in 2020 (effective January 2021). No salary increases were granted to these employees during 2020. The Remco is satisfied that the increase levels for the executive directors are in line with increase levels throughout the company. The weekly paid and artisan employees are subject to wage negotiations with the bargaining council.

Short-term incentive outcomes

Due to the impact of Covid-19 lockdowns in the second quarter of 2020, the Remco took the decision that the short-term incentive targets could not be achieved and did not implement the annual short-term incentive (STI) bonus.

In the fourth quarter, in response to the Board's request to find ways to harness employee discretionary effort, the Remco proposed a simplified, scaled-down incentive based loosely on the existing STI rules and applicable to the fourth quarter of 2020 only. This Quarter 4 Performance Bonus ("Q4PB") replaced the annual STI scheme.

The table below sets out the performance bonuses that the executive directors were paid in Quarter 4 2020, based on the achievement of company operational performance and limited by the fourth-quarter company profit:

	On-target Fourth Quarter Bonus			Actual Fourth Quarter Bonus			
Participant	TGP[1] Rand	On-target Q4PB Rand	Q4PB as % of TGP	Q4PB based on operational performance[2] Rand	Q4PB as % of On-target bonus[3]	Actual Q4PB paid[4] Rand	% of TGP
RG Jacob (CEO)	**1 463 403**	**878 042**	**60**	**994 788**	**24.1**	**211 320**	**14.4**
LM Farquharson (Acting CFO)	**757 025**	**302 810**	**40**	**341 363**	**17.5**	**59 727**	**7.9**

1 For Mr RG Jacob, TGP covered October, November and December. For Mr LM Farquharson, who was acting CFO with effect from 1 November 2020, the values reported are for the period 1 November 2020 to 31 December 2020.
2 Operational performance (sales volumes) exceeded target performance by 6% for the group.
3 The final bonus paid was limited to 10% of group profits (EBIT).
4 The actual bonus paid is included in the single-figure remuneration table below.

Long-term incentive (LTI) outcomes

The 2017 SARs was due to vest in 2020, and consequently the performance condition was measured over the three-year performance period that ended 31 December 2019. The actual 2019 HEPS of -8cps did not meet the required HEPS target of 143cps, and consequently the 2017 SARs award lapsed.

Unvested LTIs

The table below discloses the value of each executive director's LTIs, whether allocated, settled, or forfeited, as well as the indicative value of awards not yet settled.

Executive	LTI scheme	Date awarded	Vesting date	Grant price Rand	Opening number	Awarded during the year	Lapsed during the year	Closing number	Indicative value Rand[1]
RG Jacob (CEO)	**SARs**	**24 Apr 2014**	**23 Apr 2017**	**6.90**	**633 100**		**–**	**633 100**	**–**
	SARs	**26 Apr 2017**	**25 Apr 2020**	**6.50**	**604 005**		**604 005**	**–**	**–**
	ECSP – PS	**26 Jul 2018**	**25 Jul 2021**	**6.22**	**321 279**		**–**	**321 279**	**722 878**
	ECSP – BS	**26 Jul 2018**	**25 Jul 2021**	**6.22**	**117 649**		**–**	**117 649**	**264 710**
	ECSP – PS	**20 Aug 2020**	**19 Aug 2023**	**0.99**	**–**	**932 150**	**–**	**932 150**	**2 097 338**
LM Farquharson (Acting CFO)	**ECSP – PS**	**26 Jul 2018**	**25 Jul 2021**	**6.22**	**65 942**			**65 942**	**148 370**
	ECSP – BS	**26 Jul 2018**	**25 Jul 2021**	**6.22**	**25 183**			**25 183**	**56 662**
	ECSP – PS	**20 Aug 2020**	**19 Aug 2023**	**0.99**		**261 341**		**261 341**	**588 017**

1 Indicative value of outstanding LTI: This column reflects the number of outstanding instruments x vesting probability (%) x year-end share price (R2.25).

Executive remuneration

The table below sets out the single-figure remuneration, i.e., TGP (basic salary and company contributions), STI and LTI received by executive directors and prescribed officers.

Executive	Cash salary Rand	Company contributions Rand	STI Rand	LTI Rand	Total Rand
2020					
RG Jacob	**5 139 420**	**761 905**	**211 320**	**633 862**	**6 746 507**
AP Krull[1]	**3 159 820**	**522 619**	**–**	**–**	**3 682 439**
MZ Mkhize[2]	**589 518**	**7 935 985**	**–**	**–**	**8 525 503**
LM Farquharson[3]	**421 000**	**83 683**	**59 727**	**177 712**	**742 122**
Total	**9 309 758**	**9 304 192**	**271 047**	**811 574**	**19 696 571**
2019					
RG Jacob	5 139 420	793 886	–	–	5 933 306
AP Krull	3 791 784	621 114	–	–	4 412 898
MZ Mkhize	3 537 108	605 192	–	–	4 142 300
DR Weisz (prescribed officer)	1 697 185	3 437 040	–	–	5 134 225
Total	14 165 497	5 457 232	–	–	19 622 729

1 AP Krull resigned with effect from 31 October 2020. Ten months' remuneration reported.
2 MZ Mkhize was retrenched on 29 February 2020. Two months' remuneration (including severance of R7 838 779) reported.
3 LM Farquharson was appointed Acting CFO from 1 November 2020. Two months' remuneration reported.

NED fees

The table below sets out the fees paid to NEDs in 2020:

Non-executive	Retainer fees 2020 Rand	Attendance fees 2020 Rand	Total fees 2020 Rand
TP Leeuw	**572 570**	**444 270**	**1 016 840**
VN Khumalo	**261 140**	**198 000**	**459 140**
NNA Matyumza	**194 886**	**97 560**	**292 446**
SP Ngwenya	**222 030**	**150 430**	**372 460**
GHM Watson	**723 231**	**495 696**	**1 218 927**
N Maharajh	**347 580**	**222 340**	**569 920**
CA Boles	**311 276**	**217 800**	**529 076**
B Mehlomakulu	**300 006**	**213 440**	**513 446**
RL Larson	**570 350**	**404 868**	**975 218**
Total	**3 503 069**	**2 444 404**	**5 947 472**

Approval

This report was approved by the Remco on 2 March 2021 and the Board on 25 March 2021. The Remco, as well as the Board, are satisfied that there were no material deviations from the 2019 remuneration policy during the 2020 financial year.

ANNUAL FINANCIAL STATEMENTS

06

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 Hulamin 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 Listing 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 have been prepared 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 2020 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 Hulamin's system of internal controls 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 other than detailed in the Chief Executive Officer and Chief Financial Officer statement has come to the attention of the directors which indicates that, in all material aspects, Hulamin's system of internal controls 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 102 to 105.

The annual financial statements of the Group and Company set out on pages 106 to 199, which have been prepared on the going-concern basis, were approved by the Board of Directors on 13 April 2021 and were signed on its behalf by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
13 April 2021

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
13 April 2021

DIRECTORS' STATUTORY REPORT

Dear shareholder

The directors have pleasure in presenting their report for the year ended 31 December 2020.

Nature of business

Hulamin Limited ("Hulamin") 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.

The activities of Isizinda Aluminium Proprietary Limited ("Isizinda"), which supplies slab to Hulamin Rolled Products, are integrated into the Hulamin Rolled Products segment. Hulamin, through its wholly-owned subsidiary, Hulamin Operations Proprietary Limited ("Hulamin Operations") has ownership of 38.74% in Isizinda, with the remaining shares being held 58.74% by Bingelela Capital Proprietary Limited ("Bingelela") and 2.53% by the Isizinda Employee Share Trust ("the Isizinda Trust").

On 22 May 2019, Hulamin Operations agreed a term sheet with Isizinda, Bingelela, the Isizinda Trust, Bingelela Alloys Proprietary Limited and Bingelela Extrusion Billets Proprietary Limited. The agreement gives effect, *inter alia*, to the purchase by Hulamin Operations from Isizinda the slab business ("the Sale of Business Agreement"), the provision of funding by Hulamin to Isizinda ("the funding agreement") and an evergreen lease agreement between Hulamin and Isizinda for the lease of a portion of the property on which the slab business is located ("lease agreement"). This transaction is more fully described below in the section entitled "Isizinda transaction".

Financial results

Hulamin uses earnings per share and headline earnings per share as its relevant measure of financial results.

The net loss attributable to shareholders of the group for the year ended 31 December 2020 amounted to R230 million (2019: R1 204.5 million). This translates into a loss per share of 75 cents (2019: loss per share of 380 cents).

The group's results were impacted by impairment charges totalling R8.5 million (2019: R1 302.9 million), largely relating to the reduction in the carrying amounts of the net assets of the Hulamin Extrusions cash-generating units to their estimated value-in-use. These impairments reflect both a reduction in the five-year forecast cash flows of these cash-generating units due to the softer outlook in market conditions, as well as an increase in Hulamin's weighted average cost of capital which takes account of increased uncertainty in the macro environment and the associated rise of risk indicators.

A metal price lag gain (after hedging) of R112 million (refer note 2.1(b)) was recorded in 2020 (2019: loss of R68 million), as the Rand aluminium price increased during 2020. In anticipation of tight liquidity due to Covid disruptions, the programme to hedge the metal price lag by 50% was suspended at the end of March 2020 to reduce cash flow volatility from the commodity and currency derivative instruments. Once liquidity headroom improves during 2021, Hulamin will consider the timing and quantum of restoring this hedging programme. Any restoration also requires reliable sales forecasting rather than a resurgence of disruptions.

The group recorded a headline loss per share of 68 cents (2019: headline loss per share of 76 cents) based on the weighted average number of shares in issue during the year.

Factors impacting the decline in headline earnings per share for the current period are:

Hulamin Rolled Products operating performance

Hulamin Rolled Products experienced challenging conditions in 2020, with Covid-19 causing significant market and operational disruption both locally and internationally. The ban on alcohol sales within RSA had a particularly significant impact on local aluminium can sales. These effects were compounded by the anti-dumping petition on imports into the USA from many countries including RSA prior to the release of the preliminary findings as outlines in notes 1.9 (ii) and 1.10. As a result, Hulamin Rolled Products sales volumes declined 24% to approximately 155 000 tons. Due to the high fixed manufacturing cost base of the business, the impact on operating profit of this sharp reduction in volume has been severe.

Hulamin Extrusions operating performance

Following the restructuring of the business in H2 of 2019, and the closure of the Olifantsfontein plant, 2020 was to be the year of rebuilding the business. Unfortunately, this was severely disrupted with the national Covid-19 lockdown with the business losing seven weeks of output. Even when operations restarted in May, operating at capacity was disrupted by infections and Covid-19 protocols.

Business performance improved significantly in the second half of the year as the business and economy recovered. The business enjoyed a strong order book through this period and business performance improved in line with this strong order book.

Group

In addition to the items noted above, the financial results were impacted by:

- A positive metal price lag of R112 million (2019: negative of R68 million) (refer note 2.1(b)), resulting from an increase in the aluminium price during 2020 (this was partially offset by the Rand strengthening against the US Dollar in the second half of the financial year);
- A negative R114 million relating to aluminium futures and currency hedges not qualifying for hedge accounting in 2020;
- A cost associated with the BEE Extension Transaction amounting to R15 million;
- A receipt of the employee surplus account for the Tongaat Hulett Pension Fund amounting to R16 million; and
- A derecognition of previously recognised deferred tax asset of R76.9 million.

Solvency and liquidity

The group's net borrowings were R751 million (2019: R225.9 million) and net debt was R818.8 million (2019: R272.4 million) as at 31 December 2020. This represents a net debt to equity ratio of 35% (2019: 10.6%).

The annual financial statements presented on pages 104 to 199 set out fully the financial position, results of operations and cash flows for the year.

Isizinda transaction

Hulamin produces the majority of its rolling slab requirements at its Pietermaritzburg plant and sourced the balance from Isizinda. The operation of slab casting facilities is therefore one of Hulamin's core business competencies and a strategic element of the business. Bingelela wished to exit the slab casting business to pursue the production of rim alloys and extrusion billet on the property. Accordingly, it was agreed on 22 May 2019 that, *inter alia*, Hulamin Operations would purchase the slab business from Isizinda, effective 1 January 2020, and that Isizinda would use the proceeds from the disposal of the business assets to reduce its loan from Hulamin.

As reported previously in 2019 Hulamin agreed to a funding agreement between Hulamin and Isizinda in terms of which Hulamin advanced R50 million to Isizinda, which has been used by Isizinda to declare a dividend of R35 million to Bingelela, with a further dividend of R15 million to be declared and paid upon Hulamin completing a long-term metal supply agreement with Hillside Aluminium Proprietary Limited.

This transaction was concluded on 1 January 2020 resulting in Hulamin gaining full ownership and control of the production of rolling slab at Bayside. Upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10 changed materially and as of 1 January 2020, management determined that Hulamin no longer controls Isizinda in terms of the requirements of IFRS 10. This loss of control in Isizinda resulted in the group acquiring a 38.7% investment in joint venture. Full details of the accounting implications of the Isizinda Transaction have been disclosed in note 6.1(d) of the group financial statements.

Impact of new accounting standards

The group adopted amendments to various accounting standards which were effective for the year ended 31 December 2020. These amendments did not have a material impact on the Group results.

Full details of the impact of the adoption of these amendments have been disclosed in note 10 of the group financial statements.

Dividends

No dividends were declared for the year ended 31 December 2020 (2019: No dividends declared).

Share capital

There were minor changes in the authorised and issued share capital during the year under review due to the BEE Extension transaction, which is disclosed in note 8.1(d) of the group annual financial statements.

During the year, Hulamin Operations purchased 7 638 806 shares (2019: 8 183 539 shares) on-market to hold treasury shares to settle share scheme obligations in terms of a share repurchase programme approved by shareholders at the annual general meeting held on 15 May 2019.

Details of the authorised, issued and unissued ordinary shares, the share repurchase and the group's share incentive schemes are set out in notes 3.5 and 8.1 of the group financial statements.

Subsidiaries

Details of Hulamin Limited's interest in its subsidiaries are set out in note 6.1 (d) 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 8.3.1 of the group financial statements.

Directors' and prescribed officer's shareholdings

At 31 December 2020, the present directors and prescribed officer of the company beneficially held a total of 1 100 749 ordinary no par value shares, equivalent to 0.34%, in the company (2019: 1 192 359 ordinary no par value shares, equivalent to 0.37%, were held by directors).

Their associates held no ordinary par value shares in the company. Details of the directors' and prescribed officer's shareholdings and interests in the share incentive schemes are set out in notes 8.3.2 and 8.3.3 of the group financial statements.

There has been no change in the directors' and prescribed officer's shareholdings between 31 December 2020 and 31 March 2021.

Holding company

Hulamin Limited is the ultimate holding company at 31 December 2020.

DIRECTORS' STATUTORY REPORT CONTINUED

Auditors

Ernst & Young Inc. continued as auditors of Hulamin Limited and its subsidiaries during the current financial year. At the annual general meeting of 27 May 2021, shareholders will be requested to appoint Ernst & Young Inc. as auditors of Hulamin Limited for the 2021 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.

Events after the reporting period

Events between the end of the financial year and the date of this report have been detailed in note 1.9 of the group financial statements. The most noteworthy events are:

a) The sale of the Hulamin Extrusions site in Gauteng and receipt of the proceeds. This follows the closing of this site (as detailed in the prior year report) and concentration of extrusion activity at the Pietermaritzburg site;

b) The economic impact of the foreign trade duties imposed on aluminium imported into RSA; and

c) 4 721 600 A3 ordinary shares arising from the BEE Extension Transaction were issued to the ESOP trust in January 2021.

Going concern

The consolidated financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. The directors believe that the group has adequate resources to continue as a going concern for the foreseeable future.

Despite the deterioration in the group's liquidity position during 2020 to the date of this report, the directors believe that cash generated by Hulamin's operations, identified cash preservation activities, Hulamin's committed unutilised debt facilities as well as additional funding opportunities will enable the group to continue meeting its obligations as they fall due. The consolidated financial statements for the year ended 31 December 2020, therefore, have been prepared on the going concern basis.

In making this assessment, the board has considered the potential impact of the uncertainties surrounding the group which relate to matters a) and b) listed in the section above, together with a consideration of management's scenarios and forecasts to the end of 2021 set out in note 1.10 of the group financial statements. It is recognised, however, that a more adverse impact of the uncertainties than included in these scenarios, or a different combination thereof, could further deteriorate the group's forecasted liquidity position and may require the group to further increase operational flexibility and reduce costs. The group may also, if necessary, be required to consider raising additional loan facilities or equity capital.

Whilst, the board do not consider it likely that either a lack of approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy or an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

Approval

The annual financial statements of the group and company set out on pages 104 to 199 have been approved by the board. Signed on behalf of the Board of Directors by:

Thabo Patrick Leeuw
Chairman

Richard Gordon Jacob
Chief Executive Officer

Pietermaritzburg, KwaZulu-Natal
13 April 2021

THE CEO'S AND CFO'S RESPONSIBILITY STATEMENT

The directors, whose names are stated below, hereby confirm that:

- The annual financial statements set out on pages 104 to 199, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;
- No facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;
- Internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the issuer; and
- The internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having applied the combined assurance model pursuant to principle 15 of the King Code. Where we are not satisfied, we have disclosed to the audit committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors, and have tabled the planned remedial action.

Richard Gordon Jacob
Chief Executive Officer

Meganathan Gounder
Chief Financial Officer

Pietermaritzburg, KwaZulu-Natal
13 April 2021

REPORT OF THE AUDIT COMMITTEE

Introduction

The Hulamin 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 2020.

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 2020 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 (Chairman)
- NNA Matyumza (resigned as director with effect 30 June 2020)
- CA Boles
- Dr B Mehlomakulu (appointed as a member of Audit Committee with effect from 1 August 2020)

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 had three scheduled meetings 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 Hulamin website at www.hulamin.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 2020 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, 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 2020 year as disclosed in note 2.4.5 of the financial statements of the group.

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 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.

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 2020 annual audit plan was approved by the committee.

The Head of Internal Audit had direct access to the committee and was responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the committee.

During the year, the committee satisfied itself that the Head of Internal Audit was 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.

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

REPORT OF THE AUDIT COMMITTEE CONTINUED

Internal financial controls

The committee has overseen a process guided by principle 15 of the King Code, by which Hulamin management and internal audit performed a written assessment of the effectiveness of the company's system of internal control and risk management, including internal financial controls. This process enabled the committee to ensure that Hulamin's internal assurance services and functions enable an effective control environment, and that these services and functions support the integrity of information for both Hulamin's internal decision-making and for Hulamin's external reports.

The following information was assessed to substantiate the committee's views on the effectiveness of the design and implementation of financial controls, and of the nature and extent of any significant weaknesses in the design, implementation or execution of those internal financial controls.

Internal control review assessment

The CEO's and CFO's evaluation of controls included:

- The identification and classification of risks including the determination of materiality.
- Testing the design and determining the implementation of controls addressing high and low risk areas as determined by management.
- Utilising internal audit to test the operating effectiveness of controls addressing these identified high risk areas.

The CEO, CFO and the internal auditor, reviewed the controls over financial reporting, and presented their findings to the Audit Committee. During the current financial year management identified eight significant deficiencies in internal control over financial reporting of the 697 controls tested throughout the year.

These significant deficiencies relate to certain controls within the group's financial statement closing process, entity level controls with respect to performance management and operational controls with respect to asset management. Investigations by management indicated that these significant deficiencies arose largely due to staff capacity constraints in the group finance and operational team's due to the restructuring process the group embarked on in 2018/2019 and the impact of lockdowns experienced under Covid-19 in 2020 which impacted negatively on these internal controls.

A formal remediation plan has been developed to address all control deficiencies identified including the significant deficiencies which will be remediated over the course of 2021. Management will report regularly to the audit committee with respect to their progress over the course of 2021.

The Committee satisfied itself that none of these deficiencies had a material effect for the purposes of the preparation and presentation of the financial statements for the year under review and believe that Hulamin's internal controls can be relied upon as a reasonable basis for the preparation of the Annual Financial Statements.

Governance of risk

The Board has assigned oversight of the company's risk management function to the Risk Committee. The Chairman of the Audit Committee attended meetings of the Risk 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.

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

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

The committee is of the view that the finance function needs to be strengthened and has commenced the process to effect this.

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 2020 and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

The committee has considered and discussed the annual financial statements and associated reports with both management and the external auditors.

During this process, the committee:

- evaluated significant judgements and reporting decisions;
- determined that the going-concern basis of reporting is appropriate;
- evaluated the material factors and risks that could impact on the annual financial statements and associated reports;
- evaluated the completeness of the financial and sustainability discussion and disclosures; and
- discussed the treatment of significant and unusual transactions with management and the external auditors.

The significant audit and accounting matters considered by the Committee in relation to the 2020 annual financial statements were:

- Impairment of property, plant and equipment and related fair value less costs to sell assessments;
- Accounting for the sale of the Isizinda slab assets and the resultant loss of control of Isizinda;
- The financial impact of the BEE Extension Transaction;
- The derecognition of deferred tax assets; and
- The appropriateness of going concern in light of the continued impact of Covid-19.

The auditors have issued an unmodified audit opinion.

Integrated reporting, sustainability and combined assurance

The committee fulfils an oversight role regarding the company's integrated report and the reporting process. The integrated report is a separate report to these financial statements.

The committee considered the company's sustainability information as disclosed in the integrated report and separate sustainability report of the group for the year ended 31 December 2020 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 Proprietary Limited to perform an assurance engagement on key performance indicators included in the company's 2020 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 2020 integrated report for approval by the Board of Directors. This report will be made available on the Hulamin website at www.hulamin.co.za.

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 reviewed the governance structure, key risks, internal controls and activities of the technology and information function during the year. The key matters which are being attended to relate to a cybersecurity control and resilience improvement programme, and an updated IT strategy, which includes the modernisation of Hulamin's application environment and a digitalisation programme.

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 2020 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 96.

On behalf of the Audit Committee

Naran Maharajh
Chairman of the Audit Committee

Pietermaritzburg, KwaZulu-Natal
13 April 2021

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hulamin Limited

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Hulamin Limited (the "company") and its subsidiaries ("the group") and company set out on pages 106 to 199, which comprise of the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the group and company as at 31 December 2020, and its consolidated and separate financial performance and consolidated and separate 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 consolidated and separate financial statements section of our report. We are independent of the group and company in accordance with the Independent Regulatory Board for Auditors' Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements of the group and company and in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits of the group and company and in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards). 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 consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate 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 or the consolidated and separate 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 consolidated and separate 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 consolidated and separate financial statements.

INDEPENDENT AUDITOR'S REPORT CONTINUED

To the shareholders of Hulamin Limited

The Key Audit Matters applies equally to the audit of the consolidated and separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the rolled products cash-generating unit (CGU)	
At year end, the value of the rolled products cash-generating unit (CGU) amounted to R3 billion (2019: R2.5 billion) representing 74% (2019: 60%) of total assets. IAS 36 *Impairment of assets* requires 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 2020, indicating that the carrying value of the group's assets may be impaired. Management performed the impairment assessment using the discounted cash flow (DCF) valuation model to determine the recoverable amount of the rolled products CGU. The determination of the recoverable amounts involves significant judgments made by management about the inputs in the DCF. We considered the impairment test management performed of the rolled products CGU to be a key audit matter that required significant audit attention due to the size of the balances and due to the complexity, estimation and sensitivity of the following inputs to the DCF: • the discount rate; • the forecast USD/ZAR foreign currency exchange rate; • the forecast metal prices; • the forecast sales volume and sales mix; • the forecast rolling margins, considering current and anticipated changes in the market conditions and product mix; and • the forecast operating costs including the inflation rate. The discount rate determined by management is based on capital asset pricing model which includes inputs that are subjective. Covid-19 has had a significant impact on the assumptions listed above, and more specifically reduced our ability to rely on historical trends and required additional audit effort to assess the assumptions made about the future outlook in the macro-economic environment as well as requiring the use of our valuation specialists. Management's disclosure on impairment consideration are detailed in *Note 2.4.4 Impairment of Non-financial assets* of the Annual Financial Statements.	Our audit procedures for the Impairment assessment of the rolled products CGU, amongst others, included: • We evaluated management's assessment of the presence of indicators of impairment against the applicable requirements of IAS 36 *Impairment of assets*; • With the support of our internal valuation specialists, we assessed the methodology applied by management in determining the recoverable amount of the CGU against acceptable industry methods and accounting standards; • We involved our internal valuation specialists to evaluate the reasonableness of the market data inputs including the forecasted exchange rates, metal prices, and inflation rates by comparing the market data inputs to independently sourced forward-looking external market data based on our knowledge of the industry; we further evaluated the reasonableness of the methodology used by management in forecasting the exchange rates beyond a two-year period premium; • We involved our internal valuation specialists to assess the reasonability of the discount rate applied by agreeing the base rate to external sources, evaluating the market risk premium applied by management to the base rate and recalculating the discount rate; • With regards to the forecast revenue volumes, sales mix, rolling margins and operating costs: » We compared the forecast sales volumes, sales mix and operating costs to historical actuals (specifically, we focused on the FY20 actuals given the impact of Covid-19 on the business) and management's plans since the start of the Covid-19 pandemic with regards to the board approved business plans; » We agreed the assumptions used in managements forecasts for sales volumes, sales mix, estimated demand and production capacity to the terms and conditions of open customer contracts; » We independently performed sensitivity analyses over the impact of changes in the salient inputs into the DCF model which includes the discount rate, the exchange rate and the rolling margins; » We tested the mathematical accuracy of the discounted cash flow valuation model; and » We assessed the adequacy of disclosures of the disclosures made in the Annual Financial Statements in accordance with IAS 36 *Impairment of assets*.

INDEPENDENT AUDITOR'S REPORT CONTINUED

Other information

The directors are responsible for the other information. The other information comprises the information included on pages 93 to 101, of the document titled "Hulamin Limited Annual Financial Statements for the year ended 31 December 2020", which includes the Directors' Statement of Responsibility and Approval of the Annual Financial Statements, Directors' Statutory Report, the CEO's and CFO's Responsibility Statement, the Audit Committee's Report and the company Secretary's Certificate as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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 consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the group and company'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 group and company or to cease operations, or have no realistic alternative but to do so.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 group and company'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 group and company'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 consolidated and separate 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 group and/or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate 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 three years.

Ernst & Young Inc.

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

14 April 2021
Durban

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Property, plant and equipment	5.1	**813 097**	813 570
Right-of-use assets	5.2	**44 550**	17 108
Intangible assets	5.3	**33 162**	13 157
Retirement benefit asset	8.2(c)	**63 084**	95 560
Deferred tax asset	9.2(a)	**15 449**	93 130
Lease receivable	5.4	**8 482**	–
Investments accounted for using the equity method	6.1(d)	**58 635**	–
		1 036 459	1 032 525
Current assets			
Inventories	4.2	**2 333 828**	2 176 408
Trade and other receivables	4.3(b)	**1 097 335**	804 415
Derivative financial assets	7.1(d)	**7 708**	88 661
Cash and cash equivalents	4.1	**38 045**	126 207
Lease receivable	5.4	**4 523**	–
Income tax asset	9.3	**12 873**	17 562
		3 494 312	3 213 253
Non-current assets classified as held for sale	6.2	**14 250**	14 250
Total assets		**4 545 021**	4 260 028
EQUITY			
Stated capital and consolidated shares	3.5	**1 817 627**	1 817 580
Treasury shares	3.5	**(35 863)**	(22 000)
BEE reserve		**24 576**	24 576
Employee share-based payment reserve		**57 321**	63 305
Hedging reserve	7.1(d)	**1 724**	12 505
Retained earnings		**503 061**	674 342
Total equity		**2 368 446**	2 570 308
LIABILITIES			
Non-current liabilities			
Non-current borrowings	3.1	**–**	–
Lease liabilities	3.3	**47 251**	34 405
Deferred tax liability	9.2	**2 070**	16 990
Retirement benefit obligations	8.2	**202 899**	225 007
		252 220	276 402
Current Liabilities			
Trade and other payables	4.4	**1 114 788**	1 005 121
Current borrowings	3.2	**789 053**	352 083
Lease liabilities	3.3	**20 514**	12 088
Derivative financial liabilities	7.1(d)	**–**	44 026
		1 924 355	1 413 318
Total liabilities		**2 176 575**	1 689 720
Total equity and liabilities		**4 545 021**	4 260 028

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2020

		Notes	2020 R'000	2019 R'000
Revenue from contracts with customers		2.3	**8 548 878**	10 708 581
Cost of goods sold		2.4.1	**(7 843 237)**	(9 929 196)
Cost of services provided		2.4.1	**(20 730)**	(76 066)
Gross profit			**684 911**	703 319
Selling, marketing and distribution expenses		2.4.1	**(469 749)**	(520 020)
Administrative and other expenses		2.4.1; 2.4.5	**(205 179)**	(290 670)
Impairment of loans in joint ventures		6.1(d)	**(3 724)**	–
Net impairment losses on financial assets		4.3(c)	**(5 068)**	(1 906)
Impairment of property, plant and equipment and intangible assets		2.4.4	**(8 432)**	(1 302 898)
Gains and losses on financial instruments related to trading activities		2.4.2	**(70 242)**	79 571
Other gains and losses		2.4.3	**4 993**	(88 800)
Operating loss			**(72 490)**	(1 421 404)
Interest income		9.1	**9 071**	8 021
Interest expense		9.1	**(45 965)**	(56 513)
Loss before share of joint venture profits			**(109 384)**	(1 469 896)
Share of net losses of joint ventures accounted for using the equity method		6.1(d)	**(1 565)**	–
Loss before tax			**(110 949)**	(1 469 896)
Taxation		9.3	**(119 490)**	265 355
Net loss for the year attributable to equity holders of the company			**(230 439)**	(1 204 541)
Basic loss per share	(cents)	2.2	**(75)**	(380)
Diluted loss per share	(cents)	2.2	**(75)**	(380)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
Net loss for the year attributable to equity holders of the company		**(230 439)**	(1 204 541)
Other comprehensive income for the year		**19 637**	46 807
Items that may be reclassified subsequently to profit or loss:		**(10 781)**	18 785
Cash flow hedges transferred to the statement of profit or (loss)	7.1(d)	**210 379**	(54 750)
Cash flow hedges (reversed)/created	7.1(d)	**(213 515)**	57 039
Cost of hedging	7.1(d)	**(11 838)**	23 801
Income tax relating to these items		**4 193**	(7 305)
Items that will not be reclassified to profit or loss:		**30 418**	28 022
Remeasurements of retirement benefit obligations	8.2(d),(e)	**31 399**	35 478
Remeasurements of retirement benefit asset	8.2(c)	**153**	955
Income tax relating to these items		**(1 134)**	(8 411)
Total comprehensive loss for the year attributable to equity holders of the company		**(210 802)**	(1 157 734)

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash-generated from operations	A	**(280 184)**	625 512
Interest paid		**(60 438)**	(62 754)
Interest received		**8 358**	8 021
Income taxes paid		**(28 231)**	(37 492)
Net cash (outflow)/ inflow from operating activities		**(360 495)**	533 287
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to property, plant and equipment	5.1	**(131 432)**	(305 095)
Additions to intangible assets	5.3	**(8 848)**	(6 222)
Proceeds from lease receivable	5.4	**2 950**	–
Net proceeds from repayments of loan granted to investment accounted for using equity method	6.1(d)	**20 496**	–
Net cash outflow from the group as a result of loss in control of Isizinda	6.1(d	**(7 346)**	–
Net cash outflow from investing activities		**(124 180)**	(311 317)
Cash flows before financing activities ("free cash flow")		**(484 675)**	221 970
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of current portion of non-current borrowings	3.1	**–**	(54 000)
Net proceeds from/(repayment) current borrowings*	3.4	**436 970**	(413 700)
Settlement of employee share incentives schemes		**–**	(305)
Payment of principal portion of lease liabilities	3.3	**(11 668)**	(14 675)
Dividends paid		**–**	(58 202)
Acquisition of treasury shares	3.5	**(13 816)**	(22 000)
Settlement payments in respect of share-based payment – Isizinda	6.1(d)	**–**	(50 000)
Net cash inflow/(outflow) from financing activities		**411 486**	(612 882)
Net decrease in cash and cash equivalents		**(73 189)**	(390 912)
Cash and cash equivalents at beginning of year	4.1	**126 207**	525 981
Effects of exchange rate changes on cash and cash equivalents	2.4.2	**(14 973)**	(8 862)
Cash and cash equivalents at end of year	4.1	**38 045**	126 207

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

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
A Cash generated from operations			
Loss before tax		**(110 949)**	(1 469 896)
Net interest cost		**36 894**	48 492
Operating loss		**(74 055)**	(1 421 404)
Adjusted for non-cash flow items:			
Depreciation of property, plant and equipment	5.1	**48 392**	107 625
Depreciation of right-of-use assets	5.2	**8 691**	16 483
Amortisation of intangible assets	5.3	**7 153**	12 116
Impairment of financial assets		**5 068**	–
Impairment of loans to joint ventures	6.1(d)	**3 724**	–
Impairment of property, plant and equipment, intangible assets and right-of-use asset	2.4.4	**8 432**	1 302 898
Loss on disposal of property, plant and equipment	2.4.3	**–**	26 455
Loss arising from loss of control in Isizinda	6.1(d)	**11 207**	–
Gain on liquidation of pension fund		**(16 000)**	–
Share of net losses of Joint Ventures accounted for using the equity method		**1 565**	–
Net movement in retirement benefit asset and obligations	8.2	**41 921**	48 002
Value of employee services received under share schemes	2.4.1(a)	**22 756**	6 968
Foreign exchange losses on cash and cash equivalents	2.4.2	**14 973**	8 862
Gain on sale of investment	2.4.2	**–**	(2 655)
Currency exchange translation on foreign debtors and creditors	2.4.2	**(5 482)**	9 200
Settlement of share-based payment – Isizinda	2.4.3; 6.1(d)	**–**	65 000
Other non-cash items		**(3 253)**	(479)
Cash-generated before working capital changes		**75 092**	179 071
Changes in working capital	B	**(355 276)**	446 441
Cash (used in)/generated from operations		**(280 184)**	625 512
B Changes in working capital			
(Increase)/decrease in inventories		**(157 620)**	86 139
(Increase)/decrease in trade and other receivables		**(277 533)**	702 704
Increase in derivatives*		**21 953**	18 726
Increase/(decrease) in trade and other payables		**57 924**	(361 128)
		(355 276)	446 441

** The increase in derivatives was reclassified into working capital from cash-generated before working capital changes to reflect the group hedging strategy with respect to working capital*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2020

	Stated capital and Consolidated shares A R'000	Treasury shares B R'000	Hedging reserve C R'000	Employee Share-based payment reserve D R'000	BEE reserve E R'000	Retained earnings F R'000	Total equity R'000
Balance at 31 December 2018	1 817 580	–	(6 280)	57 914	51 776	1 881 631	3 802 621
Net loss for the year	–	–	–	–	–	(1 204 541)	(1 204 541)
Other comprehensive (loss)/income net of tax:							
– Cash flow hedges	–	–	18 785	–	–	–	18 785
– Retirement benefit assets and obligations	–	–	–	–	–	28 022	28 022
Equity settled share-based payment schemes:							–
– Value of employee services (note 2.4.1)	–	–	–	6 968	–	–	6 968
– Settlement and forfeiture of employee share incentives	–	–	–	(1 577)	–	1 272	(305)
– Settlement of equity-settled share-based payment (note 6.1(d))	–	–	–	–	(27 200)	27 200	–
– Tax on employee share incentives	–	–	–	–	–	(1 040)	(1 040)
– Acquisition of treasury shares	–	(22 000)	–	–	–	–	(22 000)
Dividend paid	–	–	–	–	–	(58 202)	(58 202)
Balance at 31 December 2019	1 817 580	(22 000)	12 505	63 305	24 576	674 342	2 570 308
Net loss for the year	**–**	**–**	**–**	**–**	**–**	**(230 439)**	**(230 439)**
Other comprehensive (loss)/income net of tax:							
– Cash flow hedges	**–**	**–**	**(10 781)**	**–**	**–**	**–**	**(10 781)**
– Retirement benefit assets and obligations	**–**	**–**	**–**	**–**	**–**	**30 418**	**30 418**
Equity-settled share-based payment schemes:							
– Value of employee services (note 2.4.1)	**–**	**–**	**–**	**22 756**	**–**	**–**	**22 756**
– Settlement and forfeiture of employee share incentives	**–**	**–**	**–**	**(28 740)**	**–**	**28 740**	**–**
Vesting of A1 ordinary shares	**47**	**(47)**					
Acquisition of treasury shares	**–**	**(13 816)**	**–**	**–**	**–**	**–**	**(13 816)**
Dividend paid	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**1 817 627**	**(35 863)**	**1 724**	**57 321**	**24 576**	**503 061**	**2 368 446**

NOTES TO THE STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

A: Stated capital and consolidation shares

Stated capital represents the group's issued share capital held by outside shareholders. Consolidation shares represent shares held under various BEE transactions. Further information of the group's stated capital and consolidation shares is presented in note 3.5.

B: Treasury shares

Shares in the company held by wholly-owned group companies are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares and the cost of the shares is deducted from group equity. Dividends received on treasury shares are eliminated on consolidation. No gains and losses are recognised in the group statement of profit or loss or the statement of comprehensive income on the purchase, sale, issue or cancellation of treasury shares. During the year the group purchased 7 638 806 shares (2019: 8 183 539 shares). The total cost of R13 816 000 (2019: R22 000 000) including after tax transactions costs and excluding the vesting of A1 ordinary shares, was deducted from shareholder equity. The total deduction in paid-up capital was R35 863 000 (2019: R22 000 000).

C: Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the costs of hedging 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. The group defers the changes in the forward element of forward contracts and the time value of option contracts in the costs of hedging reserve. These deferred costs of hedging are included in revenue when it is recognised. Further analysis of the reserve is presented in note 7.1(d)(iii).

D: 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 are provided in notes 8.1(c) and 8.1(d)(ii).

E: BEE reserve

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

F: Retained earnings

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

1. General

1.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), IFRIC interpretations, SAICA Financial Reporting guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by Financial Reporting Standards Council, 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.

The consolidated 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, retirement benefit assets and obligations and non-current assets held for sale). The consolidated financial statements are presented in South African Rands and all values are rounded to the nearest thousand (R'000), except when otherwise indicated.

The consolidated financial statements are prepared on the going-concern basis using accrual accounting (refer to note 1.10).

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.

The group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within 12 months after the reporting period; and
- All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period; and
- The group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of Financial position.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

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
Definition of a Business – Amendments to IFRS 3	Annual periods beginning on or after 1 January 2020	The IASB issued amendments to the definition of a business in IFRS 3, "Business Combinations" to assist entities determine whether an acquired set of activities and assets is a business or not. The amendment aims to: a) clarify the minimum requirements for a business; b) remove the assessment of whether market participants are capable of replacing any missing elements; c) add guidance to help entities assess whether an acquired process is substantive; d) narrow the definitions of a business and of outputs; and e) introduce an optional fair value concentration test. The amendments apply prospectively to transactions or other events that occur on or after the date of first application. This had no material impact on the group financial statements.
Definition of Material – Amendments to IAS 1 and IAS 8	Annual periods beginning on or after 1 January 2020	In October 2018, the IASB issued amendments to IAS 1, "Presentation of Financial Statements" and IAS 8 to align the definition of "material" across the standards and to clarify certain aspects of the definition. The new definition states that, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendments must be applied prospectively. This had no material impact on the group financial statements.
The Conceptual Framework for Financial Reporting	Annual periods beginning on or after 1 January 2020	The revised Conceptual Framework for Financial Reporting (the Conceptual Framework) is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist the Board in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. This had no material impact on the group financial statements.
Interest rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7	Annual periods beginning on or after 1 January 2020. The effective date reflects the urgency of the issue.	Interest rate benchmarks such as interbank offered rates (IBORs) play an important role in global financial markets. These benchmarks index a wide variety of financial products worth trillions of Dollars and other currencies, ranging from mortgages to derivatives. Market developments have undermined the reliability of some existing benchmarks. In this context, the Financial Stability Board has published a report setting out recommendations to reform some major benchmarks. Some jurisdictions have already made clear progress towards replacing existing benchmarks with alternative, nearly risk-free rates. This work has, in turn, led to uncertainty about the future of some existing interest rate benchmarks, which may affect companies' financial reporting. The amendments made provide relief from the potential effects of the uncertainty caused by the reform. This amendment is not applicable to Hulamin as some of the hedging instruments currently held are linked to JIBAR and there has been no reform to this benchmark rate in the current year nor is it expected in the near future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

1. General continued

1.2 New accounting standards continued

(b) New and revised IFRS in issue but not yet effective

Hulamin will adopt these standards on their effective dates:

Pronouncement	Effective date	Impact
Amendments to IFRS 16, "Leases" – Covid-19-related rent concessions	Annual periods beginning on or after 1 June 2020 (published May 2020)	As a result of the coronavirus (Covid-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published amendments to IFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to Covid-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in the accounting for the concession as a variable lease payment in the period(s) in which the event or condition that triggers the reduced payment occurs. Hulamin does not expect this to have a material impact on the group financial statements.
IFRS 17, "Insurance contracts"	Annual periods beginning on or after 1 January 2023 Early application is permitted for entities that apply IFRS 9, "Financial Instruments", and IFRS 15, "Revenue from Contracts with Customers", at or before the date of initial application of IFRS 17.	The IASB issued IFRS 17, "Insurance contracts", and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract. The impact is currently being assessed by Hulamin and we do not expect this to have a material impact on the group financial statements.
Classification of liabilities as Current or Non-current – Amendments to IAS 1	Annual periods beginning on or after 1 January 2023	The International Accounting Standards Board ("IASB") issued Amendments to IAS 1 – Classification of Liabilities as Current or Non-current in January 2020. The amendments had originally been issued as an exposure draft in February 2015. The IASB considered the feedback received in December 2015 but in April 2016 it decided to delay the issuance of the amendments pending completion of the IASB's project on the Conceptual Framework, which included the definition of a "liability". The Board's work on the amendments to IAS 1 restarted in September 2018 and were completed in the third quarter of 2019. The IASB noted that these amendments are intended to be clarifications of the requirements of IFRS, rather than fundamental changes. Diversity in practice had emerged in a number of areas due to perceived inconsistencies in IAS 1, where certain paragraphs appeared to contradict one another. Therefore, depending on how IAS 1 has been interpreted in the past, the clarification of the requirements may result in significant changes to how entities classify liabilities. The amendments to IAS 1 are broad, and may impact entities in many different ways, some of which may be unexpected. It is important that entities carry out an analysis of the impact of the revised requirements on the recognised liabilities in their statements of financial position. No material impact is expected upon the adoption of this standard by Hulamin as the current classification of liabilities is in line with the additional clarity now provided by IASB. Hulamin does not expect this to have a material impact on the group financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

Pronouncement	Effective date	Impact
A number of narrow-scope amendments to IFRS 3, IAS 16, and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Annual periods beginning on or after 1 January 2022	**Amendments** to IFRS 3, "Business Combinations" updated a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. **Amendments** to IAS 16, "Property, plant and equipment" prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the assets for its intended use. Instead, a company will recognise such sales proceeds and related costs in profit or loss. **Amendments** to IAS 37, "Provisions, contingent liabilities, contingent assets" specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, "First-time adoption of IFRS", IFRS 9, "Financial Instruments", IAS 41, "Agriculture" and Illustrative Examples accompanying IFRS 16, "Leases". Hulamin is currently assessing the impact of these pronouncements on the group financial statements and we do not expect this to have a material impact on the group financial statements.
Interest rate Benchmark Reform – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (the amendments) (Phase 2)	The effective date is for annual periods beginning on or after 1 January 2021, but earlier application is permitted.	On 27 August 2020, the International Accounting Standards Board published phase two of the interest rate benchmark reform. Phase 1 (as discussed above) addressed issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an RFR. Phase 2 on the other hand focused on issues that affect financial reporting when an existing interest rate benchmark is replaced with an RFR. Publication of the phase two amendments completes the IASB's work to amend IFRS in response to IBOR reform. Publication of the phase two amendments completes the IASB's work to amend IFRS in response to IBOR reform. This amendment is again not applicable to Hulamin as some of the hedging instruments currently held are linked to JIBAR and there has been no reform to this benchmark rate in the current year nor is it expected in the near future.

1.3 Fair value measurement

The group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

1. General continued

1.3 Fair value measurement continued

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

External valuers are involved for valuation of significant assets. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained.

For the purpose of fair value disclosures, the group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy.

Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in the following notes:

- Non-current assets classified as held for sale (note 6.2)
- Derivative assets and liabilities (note 7.1)
- Impairment of non-financial assets (note 2.4.4)
- Non-current borrowings (note 3.1)

1.4 Accounting for assets and liabilities

(i) Recognition

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.

(ii) Derecognition

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.

1.5 Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(i) Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, is subsequently measured at amortised cost, fair value through other comprehensive income (OCI) and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient, the group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the group has applied the practical expedient are measured at the transaction price as disclosed in note 2.3 Revenue from contracts with customers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

Initial recognition and measurement

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are "solely payments of principal and interest (SPPI)" on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost includes trade receivables.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired or the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the group has transferred substantially all the risks and rewards of the asset; or (b) the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

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. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

(ii) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, at amortised cost, financial liabilities at fair value through profit or loss, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The group's financial liabilities include trade and other payables, loans and borrowings and derivative financial instruments.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss; or
- Financial liabilities at amortised cost (loans and borrowings).

Financial liabilities at amortised cost (loans and borrowings) is the category most relevant to the group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The accounting policy on derivatives is detailed in note 7.1.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

1. General continued

1.6 Significant accounting judgements, estimates and assumptions

The preparation of the group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Methods of depreciation, useful lives and residual values of assets
Items of property, plant and equipment are depreciated over their useful lives taking into account residual values. The estimated useful lives and residual values are assessed annually taking into account technological innovation, product life cycles, maintenance programmes and projected disposal values. Refer note 5.1 and 5.3.

(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, health care costs, inflation rates and salary increments.

Management experts are used to assist with valuations of post employment benefit obligations. Refer 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 2.4.4 of the group financial statements. Forward-looking financial information is based on board-approved business plans.

(v) IFRIC 23 Uncertainty of Income Tax Treatment
Interpretation IFRIC 23 clarifies the accounting treatment for uncertainties in income taxes as part of the application of IAS 12. The interpretation specifically addresses whether an entity considers each uncertain tax treatment separately or together with one or more other uncertain tax treatments. In applying IFRIC 23 the group assessed the risk profile of all uncertain tax matters based on the following criteria:

- the outcome of similar historical or current audits within the group;
- consensus opinions from expert advisers regarding areas and levels of tax risk; and
- changes in tax law impacting existing or future tax matters.

Based on this assessment, the potential cash tax outflow for each uncertain tax matter is quantified using the applicable statutory tax rate and applying a risk probability factor (exercising judgement on the most likely outcome). The impact on current and deferred tax is also taken into consideration. The probalised risk values are consolidated in arriving at the group's total estimated uncertain tax provision.

(vi) Investment in Isizinda Aluminium Proprietary Limited ("Isizinda")
The group holds a 38.7% (2019: 38.7%) interest in Isizinda. Management have previously assessed the investment in Isizinda to represent control in terms of the requirements of IFRS 10. Hulamin acquired the rolling slab casting business and assets from Isizinda, effective 1 January 2020, and entered into a lease agreement with Isizinda to continue operating this casting facility. Upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10, have changed materially. Accordingly, as of 1 January 2020, management assessed that Hulamin no longer control's Isizinda in terms of the requirements of IFRS 10.

The significant judgements applied in determining whether Hulamin has control or joint control over Isizinda were determined with reference to Isizinda's relevant activities and which parties could direct those activities as outlined in the Memorandum of Incorporation and the shareholders agreement. The relevant activities are those that significantly impact the economic performance or returns over Isizinda.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations Proprietary Limited. Under IFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method. For more detail on the investment in joint venture refer note 6.1 (d).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(vii) Determining the lease term of contracts with renewal and termination options
The group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The group has several lease contracts that include extension and termination options. The group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

The group included the renewal period as part of the lease term for leases of buildings. The group typically exercises its option to renew for these leases because these buildings are required for staff occupation. For more details on leases refer to notes 3.3 and 5.2.

(viii) Non-current assets classified as held for sale
Critical assumptions and estimates have rendered certain assets belonging to the group to meet the criteria to be classified as held for sale at that date for the following reasons:

- The assets are available for immediate sale and can be sold to the buyer in its current condition;
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification; and
- A potential buyer has been identified and negotiations as at the reporting date are at an advanced stage. For more details on the assets held for sale refer to note 6.2.

(ix) Taxes
Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available against which these can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Further details on the recognised and unrecognised portion of the deferred tax is disclosed in note 9.2.

(x) Leases – Estimating the incremental borrowing rate
The group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group "would have to pay", which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The group has used its incremental borrowing rate with reference to the revolving loan facility. Refer to note 3.3.

(xi) Provision for expected credit losses of trade receivables
The group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the group's historical observed default rates. The group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. Refer to note 4.3(c).

(xii) Revenue recognition – Estimating variable consideration for returns and volume rebates
The group estimates variable considerations to be included in the transaction price for the sale of goods with volume rebates. Refer to note 2.3.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

1. General continued

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 Contingent liabilities

The group has no contingent liabilities as at 31 December 2020 (2019: Rnil).

1.9 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that they are non-adjusting events as determined in accordance with IAS 10, "Events after the reporting period". Details of material non-adjusting events are provided below.

(i) Continuing economic impact of Covid-19

Impact on sales and operations
The group has historically generated approximately 55% – 60% of its sales in international markets. North America and Europe represent the most material export markets and have, in a similar manner to the local South African market, been significantly negatively impacted by the ongoing Covid-19 pandemic. These markets have had various degrees of lockdowns implemented which constrained consumer demand.

Impact on derivatives and hedge accounting
The ongoing Covid-19 pandemic has continued to have an adverse impact, not only on operations and sales volumes, but also on commodity prices and currencies.

The metal price lag ("MPL") hedging programme (see further detail for the group's hedging strategy in note 7.1(a) and 7.1(b)) was suspended at the end of March 2020 in order to reduce potential cash flow volatility from commodity and currency hedges. This will be re-evaluated during 2021 once the outlook becomes more stable.

Liquidity and cash preservation
Hulamin closed 2020 with a strong balance sheet, with net borrowings of R751 million, lease liabilities of R67.8 million and a net debt to equity ratio of 35% (2019: 10.6%) (refer note 7.4) and adequate headroom in its debt facilities of approximately R450 million (refer note 7.3). In terms of the covenant definition with Hulamin's bankers, the net debt (including letters of credit) to equity (adjusted for intangibles and deferred tax asset) ratio was 38.8% (2019: 16.3%) on 31 December 2020, against a covenant level of 50%.

The second wave and prospect of a third wave of the pandemic in 2021, and its continued consequential economic impacts, requires unprecedented and strong actions. Accordingly, Hulamin has put on hold all uncommitted non-urgent capital expenditure, sharply reduced metal procurement, eliminated variable costs and reduced fixed costs where possible to preserve and protect cash flow and the balance sheet. Presently, the group can operate up to full production capacity, whilst practicing the required protective measures to limit the spread of the virus on site, and is therefore able to capitalise on opportunities available, although demand side risk continues to exist.

This uncertainty and its impact on the going concern assumption has been further detailed in note 1.10.

Statement of financial position
Certain line items in the statement of financial position may be impacted in the 2021 financial statements. Below are indications of how material line items in the statement of financial position may be affected:

Impact on trade and other receivables
We have seen a delay in customer payments as most local customers only resumed operations during the government lockdown level 3. The group also covers trade receivables through the Credit Guarantee Insurance Company (CGIC) (refer to note 4.3). We are actively engaging with customers regarding outstanding balances in conjunction with CGIC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

Impact on retirement benefit assets
At the end of March 2020, the net asset position was 8.6% lower than at December 2020, but the market has subsequently recovered significantly. This is a long-term asset and will be held for a further estimated 19 years.

Impact on the impairment assessment of property, plant and equipment, intangibles, right-of-use asset and deferred tax assets
The above factors (and those detailed in note 1.10) may impact both on the future impairment assessments of property, plant and equipment, intangibles and the right-of-use asset. However, these impacts are uncertain. The continued impact of Covid-19 is expected to be most pronounced on near-term cash flows, which have a lower effect on possible asset impairment.

The exchange rate assumptions used in the impairment assessment are explained in note 2.4.4 and reflect a forecast for the South African Rand that is considerably stronger than the exchange rates of the second quarter of 2020. The positive effect on profits of a stronger Rand may largely be offset by lower sales volumes and lower USD-denominated prices during the same timeframe. The exchange rate, sales volumes and USD prices would also likely affect the value of working capital, with the lower USD aluminium price also offsetting the effect of a weaker Rand. The combined off-setting effect of these factors on future cash flows is uncertain and may lead to a higher market risk premium within the discount rate for the next impairment assessment. However, any higher risk premium may be offset by lower interest rates, resulting in an uncertain movement in the future weighted average cost of capital.

The extent to which these areas are impacted will depend on future developments relating to the above uncertainties which cannot be predicted at this time.

(ii) US Anti-dumping petition against imports of common alloy sheet

On 9 March 2020, a petition was filed in the United States ("US") by domestic US producers against imports of aluminium common alloy sheet from 18 countries, including South Africa. The petition claims material harm to the US aluminium industry and seeks tariff relief in the form of anti-dumping countervailing duties. The total US common alloy sheet market is approximately 2 million tons per annum of which domestic US producers have historically supplied less than 65% of the market. Hulamin's share of this market is less than 2%.

Hulamin sells a range of products into the US, including common alloy sheet. On average, over the past three years, Hulamin's sales of common alloy sheet into the US amounted to approximately 12% of the total sales of Hulamin Rolled Products. Hulamin's share of the US common alloy sheet market is less than 2%. Preliminary investigations by the International Trade Commission ("ITC"), a department within the US Government were initiated in 2020 and these findings were published in the Federal register on the 15 October 2020.

The preliminary duties levied on Hulamin is 8.98% and this level of duty is considered favourable when compared to Hulamin's main offshore competitors located in Germany, Indonesia, Bahrain and Romania.

The final phase of the investigation is underway, and the final dumping order is expected to be published in April 2021.

(iii) Metal supply

The primary metal supply agreement with South32 was due for renewal in December 2019. Hulamin and South32 concluded an agreement for the supply of molten and solid primary aluminium for the next five years (January 2020 to December 2024) on 30 January 2020.

The initial term of the agreement terminates on 31 August 2020 but will be extended to 31 December 2024 if Eskom and South32 obtain the necessary approvals in relation to their agreement on electricity supply by this date.

The boards of Eskom and South32 have approved conditional pricing and terms and submitted an application to the National Energy Regulator of South Africa ("NERSA") to review the new pricing for Hillside in August 2019. The final processing of the application is subject to the approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy, where after NERSA will be able to finalise the application.

Due to the current extraordinary period, it is likely that delays in progressing the NERSA approval process can be expected. This uncertainty and its impact on the going concern assumption has been further detailed in note 1.10.

(iv) Sale of Olifantsfontein site

The sale of the Hulamin Extrusions site in Gauteng and receipt of the proceeds. This follows the closing of this site (as detailed in the prior year report) and concentration of extrusion activity at the Pietermaritzburg site. Refer note 6.2(ii) for details on conclusion of this sale.

(v) Issue of A3 ordinary shares

4 721 600 A3 ordinary shares arising from the BEE Extension Transaction were issued to the ESOP trust in January 2021. The notes to the Statement of Changes and Equity provide more detail in this regard.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

1. General continued

1.10 Going concern

The financial statements of the Hulamin Group for the year ended 31 December 2020 have been prepared on the going concern basis. The factors that have been considered in reaching this conclusion are as follows:

- Hulamin's 2020 financial performance and position as documented in detail throughout these financial statements
- Trading conditions in 2021 and outlook
- Liquidity and access to funding facilities
- Indicators of uncertainty
- Scenarios and forecasts
- Litigation and claims

These matters are considered below:

(a) 2020 financial performance and position

The Group's performance and position has been summarised in the table below:

EARNINGS		2020	2019
Operating loss before interest and tax	R'000	**(72 490)**	(1 421 404)
Net loss	R'000	**(230 439)**	(1 204 540)
Loss per share (Basic)	cents	**(75)**	(380)
Headline (loss)/earnings per share (Basic)	cents	**(68)**	(76)
Normalised EBITDA (refer note 2.1(b))	R'000	**(89 421)**	313 327
Cash flow and financial position			
Cash flow from operating activities	R'000	**(360 495)**	533 287
Cash flow before financing activities ("free cash flow")*	R'000	**(484 675)**	221 970
Net debt	R'000	**818 772**	272 369
Equity	R'000	**2 368 446**	2 570 308
Net debt/equity ratio	%	**34.6**	10.6
Net current assets	R'000	**1 569 957**	1 799 935
Current ratio	times	**1.8**	2.3

** Refer the cash flow statement*

Profit and earnings performance

Hulamin Rolled Products

Cost reductions, tighter working capital controls and a weaker exchange rate partially offset the substantial negative impacts of the coronavirus pandemic on Hulamin Rolled Products in H1 2020. The Covid-19 lockdown regulations in South Africa, along with the waves of infections resulted in substantial disruptions to manufacturing operations and significant demand shocks during H1 2020, particularly in the South African market, where the bans on alcohol sales resulted in substantially lower demand for beverage can products.

Operational performance levels began to recover during H2 2020, with consistent improvements through the period, particularly in Q4 2020. Notwithstanding this recovery in H2 2020, the sales volumes for Hulamin Rolled Products ended the year at approximately 155 000 tons, or 24% lower than the 2019 volume of 204 000 tons, due to the various negative impacts of Covid-19. As a result of the substantially lower sales volumes, and despite significantly lower capital expenditure, debt levels increased through 2020 and have remained elevated into 2021, although within facility limits and with sufficient headroom.

In October 2020, the US Department of Commerce announced preliminary anti-dumping and countervailing duties against the 18 countries included in the investigation. The outcome for Hulamin was relatively positive, which resulted in increased demand for Hulamin's products in the US market in Q4 2020, along with higher pricing levels. This trend has continued into 2021.

In December 2020, the South African government announced that a 15% import duty on rolled aluminium products would be imposed from January 2021. Given the timing of this announcement, there was no impact on 2020 sales volumes, however demand for local Rolled Products has increased in 2021 and the order book is full.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(a) 2020 financial performance and position continued

Hulamin Extrusions

Following the national Covid-19 lockdown, the business lost seven weeks of output. Even when operations resumed in May, operating at capacity was disrupted by infections and Covid-19 protocols.

Business performance improved significantly in the second half of the year as the business and the market recovered from the lockdown. The business enjoyed a strong order book through this period and business performance improved in line with this strong order book.

Following the restructuring of the business in 2019, a sale of the Olifantsfontein plant and equipment was concluded for R55 million with final transfer happening in January 2021.

Group

In addition to the factors detailed above, the following items contributed to a net loss of R230 million (2019: net loss of R1 204.5 million):

- A positive metal price lag of R112 million (2019: negative of R68 million) refer note 2.1(b), resulting from as increase in the aluminium price during 2020 (this was partially offset by the Rand strengthening against the US Dollar in the second half of the financial year);
- A negative R114 million relating to aluminium futures and currency hedges not qualifying for hedge accounting in 2020;
- A cost associated with the BEE Extension Transaction amounting to R15 million;
- A receipt of the employee surplus account from the Tongaat Hulett Pension Fund amounting to R16 million; and
- A derecognition of previously recognised deferred tax asset of R76.9 million.

These impairments recognised in the prior year relate to both a reduction in the five-year forecast cash flows of the primary cash-generating units, reflecting the softer outlook in market conditions, as well as an increase in the Company's weighted average cost of capital which takes account of increased uncertainty in the macro environment and the associated rise of risk indicators.

Liquidity and solvency

The group's net borrowings were R751 million (2019: R225.9 million) and net debt was R818 million (2019: R272.4 million) at 31 December 2020. This represents a net debt to equity ratio of 35% (2019: 10.6%).

(b) Trading conditions in 2021 and outlook

The pandemic-induced changes in behaviour in South Africa and globally continued to disrupt operations and those of our customers during January and February 2021 Domestic market.

Sales in the local market have, in recent years, been hampered by the slow growth in the local economy and increased import competition with lower local sales levels anticipated than in previous business plans.

However, the conversion of the local beverage can market to the all-aluminium can has supported demand for local can body stock, which has also allowed Hulamin to increase its purchases of can maker's scrap and used beverage cans (UBCs) to reduce its metal procurement costs.

On 31 December 2020, ITAC announced a ruling in support of Hulamin's application for local import tariff. The 15% duty will have a significant positive impact on Hulamin's local sales volumes, particularly additional can body stock, foil and local distributor products.

Domestic market

Underlying demand for aluminium rolled products in various industries has seen noticeable improvement following the lockdowns and economic impacts arising from Covid-19.

Sales of material for the heat exchanger market remain an important element of local sales.

These sales are anticipated to remain under pressure through 2021, with recovery to 2017/2018 levels only during 2022.

The foil business remains challenging, however a perpetuation of the current Rand weakness to the US Dollar and the successful outcome to Hulamin's duty application may result in further local foil supply opportunities.

International market

Hulamin's export sales include canstock, heat-treated plate for general engineering applications, and a substantial volume of lower value, more commoditised products referred to as common alloy.

Even before the pandemic significant curtailment in demand in the US for both common alloy sheet/coil and heat-treated plate throughout 2019 had a severe impact on Hulamin Rolled Products. Although sales of heat-treated plate have improved, the impact of coronavirus on fabrication, automotive and aerospace markets may have a negative impact on these sales for the remainder of 2021.

The US Aluminium Association petitioned for anti-dumping and countervailing duties to be imposed on 18 countries, including South Africa, and a preliminary finding by the US authorities was announced late in 2020 (refer note 1.9). This finding was relatively positive for Hulamin which may support Hulamin's sales of common alloy products into this market in 2021. The ruling is likely to be finalised towards the middle of 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

1. General continued

1.10 Going concern continued

(c) Liquidity and funding

Hulamin's facilities of R1.5 billion comprise a committed working capital facility of R1.0 billion and a borrowing facility ("GBF") of R500 million. The GBF* is comprised of direct facilities of R200 million and indirect facilities (letters of credit and guarantee) of R300 million. This committed working capital facility was renewed in September 2019 and remains in place until September 2022.

The utilisation of the working capital facility is restricted to the underlying eligible inventory and receivables.

The following financial covenants are measured at each 6-month reporting period in respect of the Hulamin Group:

Covenant	Required level
Current ratio	>1.25 times
Debt to equity ratio	<0.50 times

The following additional security ratios are measured monthly in respect of Hulamin Operations Proprietary Limited:

Covenant	Required level
Stock cover ratio	>1.50 times
Collateral cover ratio	>1.20 times

** The GBF will become an on demand facility as of 1 October 2021*

As noted above, Hulamin closed 2019 with a strong balance sheet, with net debt of R272 million and a net debt to equity ratio of 10.6% and considerable headroom with respect to its financial covenants and in relation to its direct borrowing facilities of, in excess of R1 billion.

As detailed in note 1.9, due to the severe impact of Covid-19, net debt increased rapidly to R818.8 million at 31 December 2020, with a net debt to equity ratio of 35% (in terms of the banking covenant definition).

Headroom in facilities reduced to R427 million, impacted both by the increase in debt and the reduction in the level of eligible inventory and receivable security, following the sharp decrease in activity levels.

Hulamin has implemented the following measures to improve its liquidity position while it ramps up performance following the return to alert level 3 in South Africa:

- Management of the cash cycle by way of increased sales to customers offering supply chain financing programmes and metal procurement on short commitment cycles; and
- Deferral of non-urgent operational and capital expenditure.

(d) Indicators of uncertainty

Hulamin's sales are largely based on or denominated in US Dollars or Euros, whilst most of Hulamin's operating costs are incurred in Rand. As such, the Group's results and financial condition will be impacted if there is a material change in the Rand/US Dollar exchange rate.

Unlike in 2020, Hulamin Rolled Products has not hedged its US Dollar and Euro conversion margins and will therefore benefit from undue Rand weakness in 2021.

High levels of volatility in currency levels and aluminium prices may also impact on cash flow and profitability through the metal price lag ("MPL") and related hedging activities. As detailed in note 1.9, Hulamin suspended its MPL hedging programme at the end of March 2020 in order to reduce potential further cash flow volatility from the commodity and currency hedges.

Further, Hulamin's operations may be adversely affected by demand disruptions or production stoppages caused by supply shortages, Covid- 19 quarantining and deep cleaning activities, or labour absenteeism.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

An uncertainty in the 12-month horizon which could impact demand, production, currency and commodity levels relates to the combination of the following:

(i) Continuity of primary aluminium supply from South32

Whilst, management consider it unlikely that either a lack of approval of the Long-Term Negotiated Pricing Agreement Policy by the Department of Mineral Resources and Energy or an adverse adjudication by NERSA of the electricity supply agreement entered into between South32 and Eskom will prevent the continuation of the metal supply agreement entered into between Hulamin and South32, the impact of such an event would be substantial for Hulamin, with annual negative cash flows of between R300 million and R400 million.

(ii) The outcome of the US Anti-dumping ("AD") petition against imports of common alloy sheet

The outlook for common alloy sales in the USA from 2021 onwards will depend on the final ruling of the anti-dumping investigation (note 1.9(ii) provides insights on the preliminary ruling), which could result in one of these possible outcomes:

- The investigation concludes that there is no material harm to US aluminium industry and thus no dumping order is implemented; or
- AD duties are implemented with Hulamin receiving a relatively low dumping margin, thus providing a relative advantage against its competitor importers for sales on common alloy in the USA. Hulamin is unable to determine at this stage what the impact of any duties imposed might be.

(iii) The economic impact of Covid-19

Although Hulamin is currently able to operate fully under alert level 1, a number of uncertainties prevail as a result of the impact of Covid-19 on local and international economies. These uncertainties include:

- Turmoil in the world economy and the possible adverse impact over the short- to medium-term on the demand for Hulamin's products, particularly alcoholic beverage packaging and automotive heat exchange products;
- Possible further extensions of the lockdown periods and/or a delay in ramping up South African operations with an impact on local market demand;
- Extended lockdown and delayed return to normal capacity by our key international customers and the economies in which they operate;
- Ongoing health and wellbeing of our employees; and
- Financial market disruptions and access to funding. The background to these matters is set out in note 1.9.

These uncertainties have been included in management's scenarios and forecasts detailed below.

(e) Scenarios and forecasts

Management considered various scenarios through to the end of 2021, which included operational and demand limitations in South Africa as well as in international markets, combined with different outcomes relating to the US anti-dumping duty investigation and the local application for duties on imports of rolled products. Recent developments have reduced the uncertainties facing the business making many of the scenarios redundant. Most notably:

- A final outcome imposing 15% duty on local imports of rolled aluminium products.
- A final determination of 8.85% anti-dumping duty on common alloy aluminium imports into the USA from South Africa. This is marginally lower than the 8.98% preliminary finding (October 2020) with similar minor adjustments affecting most other countries. The relatively low rate on RSA represents a pricing advantage to Hulamin unless it is concluded in April 2021 that there has been no harm to the USA aluminium industry. A no harm finding will level competition at nil anti-dumping duty for all countries included in the petition (with other duties on imports into the USA being consistent with the position at 31 December 2019).
- A better understanding of the disruptive possibilities of Covid-19 combined with established measures to partly suppress contagion and global rolling out of vaccination. Although the pandemic remains a significant cause of uncertainty, more is understood than at the same time last year.

(f) Litigation and claims

The company is not engaged in any significant legal action nor has it any material contingent liabilities which could have bearing on the ability to continue operations in the forecast period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2. Performance: measures used to assess performance

2.1 Reportable segment analysis

(a) Accounting policies and significant judgements

Description of segments and principal activities

The group's reportable segments have been determined in accordance with how the Hulamin Executive Committee, which is the group's most senior operating decision-making body, allocates resources and evaluates performance and 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 Hulamin Rolled Products and Hulamin Extrusions.

The Hulamin Rolled Products segment, which comprises the Hulamin Rolled Products and Hulamin Containers businesses, manufactures and supplies fabricated and rolled semi-finished aluminium products as well as aluminium foil containers and related products.

The Hulamin Extrusions segment manufactures and supplies extruded aluminium products.

Isizinda Aluminium Proprietary Limited ("Isizinda") sold its slab assets to Hulamin Rolled Products and as such these activities remain integrated within the Hulamin 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(b) Segmental revenue, earnings and other disclosures

	2020			2019		
	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	**8 005 726**	**543 152**	**8 548 878**	9 957 173	751 408	10 708 581
Timing of revenue recognition:						
– At a point in time	**7 984 996**	**543 152**	**8 528 148**	9 881 107	751 408	10 632 515
– Over time	**20 730**	**–**	**20 730**	76 066	–	76 066
Earnings						
EBITDA**	**(4 808)**	**4 986**	**178**	104 766	(87 048)	17 718
Impairment of property, plant and equipment and intangibles	**–**	**(8 432)**	**(8 432)**	(1 266 979)	(35 919)	(1 302 898)
Depreciation and amortisation	**(60 888)**	**(3 348)**	**(64 236)**	(123 142)	(13 082)	(136 224)
Operating loss	**(65 696)**	**(6 794)**	**(72 490)**	(1 285 355)	(136 049)	(1 421 404)
Interest received	**9 071**	**–**	**9 071**	8 002	19	8 021
Interest paid	**(34 770)**	**(11 195)**	**(45 965)**	(47 460)	(9 053)	(56 513)
Loss before share of joint venture profits	**(91 395)**	**(17 989)**	**(109 384)**	(1 324 813)	(145 083)	(1 469 896)
Share of net losses on joint ventures accounted for using the equity method	**(1 565)**	**–**	**(1 565)**	–	–	–
Loss before tax	**(92 960)**	**(17 989)**	**(110 949)**	(1 324 813)	(145 083)	(1 469 896)
Taxation	**(119 490)**	**–**	**(119 490)**	265 820	(465)	265 355
Net loss for the year	**(212 450)**	**(17 989)**	**(230 439)**	(1 058 993)	(145 548)	(1 204 541)
Reconciliation of net loss (used in calculating earnings per share) to headline loss						
Net loss for the year	**(212 450)**	**(17 989)**	**(230 439)**	(1 058 993)	(145 548)	(1 204 541)
(Profit)/loss on disposal of property, plant and equipment	**(13)**	**–**	**(13)**	26 455	–	26 455
Impairment of property, plant and equipment and intangibles	**–**	**8 432**	**8 432**	1 266 979	35 919	1 302 898
Loss arising from loss of control in Isizinda	**11 207**	**–**	**11 207**	–	–	–
Profit on disposal of investment in Almin Metal Industries Limited	**–**	–	**–**	–	(2 655)	(2 655)
Tax effect	**4**	–	**4**	(362 161)	–	(362 161)
Headline loss for the year	**(201 252)**	**(9 557)**	**(210 809)**	(127 720)	(112 284)	(240 004)
Reconciliation of headline loss to normalised EBITDA**						
Headline loss for the year	**(201 252)**	**(9 557)**	**(210 809)**	(127 720)	(112 284)	(240 004)
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting	**–**	**–**	**–**	24 835	–	24 835
Restructuring costs	**–**	**12 673**	**12 673**	75 757	38 639	114 396
Metal price lag	**(111 901)**	**–**	**(111 901)**	67 577	–	67 577
Settlement of share-based payment – Isizinda (note 6.1.(d))	**–**	**–**	**–**	65 000	–	65 000
Tax effect	**31 332**	**(3 548)**	**27 784**	(47 087)	(10 819)	(57 906)
Normalised headline (loss)/earnings (note A)	**(281 821)**	**(432)**	**(282 253)**	58 362	(84 464)	(26 102)
Interest paid	**34 770**	**11 195**	**45 965**	47 460	9 053	56 513
Interest income	**(9 071)**	**–**	**(9 071)**	(8 002)	(19)	(8 021)
Taxation	**88 354**	**3 348**	**91 702**	143 429	11 284	154 713
Normalised EBIT* (note A)	**(167 768)**	**14 111**	**(153 657)**	241 249	(64 146)	177 103
Depreciation and amortisation	**60 888**	**3 348**	**64 236**	123 142	13 082	136 224
Normalised EBITDA (note A)**	**(106 880)**	**17 459**	**(89 421)**	364 391	(51 064)	313 327
Total assets	**4 344 175**	**200 846**	**4 545 021**	4 032 486	227 542	4 260 028
Total liabilities	**2 040 199**	**136 376**	**2 176 575**	1 539 212	150 508	1 689 720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

2. Performance: measures used to assess performance continued

2.1 Reportable segment analysis continued

(b) Segmental revenue, earnings and other disclosures continued

	2020			2019		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Other disclosures						
Additions to property, plant and equipment and intangible assets						
Currency conversion	**116 529**	**23 751**	**140 280**	280 242	31 075	311 317
Rand/US Dollar average			**16.45**			14.45
Rand/US Dollar closing			**14.62**			14.01

All non-current assets of the group are located in, or are attributable to, operations in South Africa.
Sales to the largest ten customers of the Hulamin Rolled Products segment accounts for 57% (2019: five largest constituted 47%) of total group revenue
** Earnings before interest and taxation*
*** Earnings before interest, taxation, depreciation and amortisation and impairment of property, plant and equipment and intangible assets*

A: Normalised EBIT, normalised EBITDA, headline earnings and normalised headline earnings

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 1/2019 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised EBIT, normalised EBITDA and normalised headline earnings per share are measures which the Hulamin Executive Committee uses in assessing financial performance. These are calculated in a consistent manner as per the 2019 annual financial statements.

Normalised headline earnings per share is calculated by dividing normalised headline earnings by the weighted average number of ordinary shares in issue during the year. Normalised headline earnings is defined as headline earnings excluding (i) metal price lag and (ii) material non-trading expense or income items which, due to their irregular occurrence, are adjusted for in order to better present earnings attributable to the ongoing activities of the group. Normalised EBIT and EBITDA are similarly derived.

The presentation of normalised EBIT, normalised EBITDA, headline earnings per share and normalised headline earnings per share is not an IFRS requirement and these may not be directly comparable with the same or similar measures disclosed by other companies.

2.2 Earnings per share

Earnings per share, headline earnings per share and normalised headline earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Potential ordinary shares shall be treated as dilutive only when their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

Weighted average number of shares

The weighted average number of shares used in the calculation of basic and diluted earnings per share, headline earnings per share and normalised earnings per share is as follows:

	2020 Number of shares	2019 Number of shares
Weighted average number of shares used for basic and diluted EPS*	**308 496 091**	317 287 805
Share options	**657 581**	4 543 138

** The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. Potential ordinary shares were antidilutive.*

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

	Gross R'000	Net R'000	Gross R'000	Net R'000
Net loss for the year	**–**	**(230 439)**	–	(1 204 541)
Adjustments	**19 626**	**19 630**	1 326 698	964 537
– Impairment loss on property, plant and equipment and intangible assets	**8 432**	**8 432**	1 302 898	948 144
– Gain on disposal of investment in Almin Metals Industries (note 6.2(i))	**–**	**–**	(2 655)	(2 655)
Loss arising from loss of control in Isizinda (6.1(d)	**11 207**	**11 207**		
– Loss on disposal of property, plant and equipment	**(13)**	**(9)**	26 455	19 048
Headline loss		**(210 809)**		(240 004)

Headline loss per share

		2020	2019
Headline loss per share			
Basic	(cents)	**(68)**	(76)
Diluted	(cents)	**(68)**	(76)
Normalised headline loss per share			
Basic	(cents)	**(91)**	(8)
Diluted	(cents)	**(91)**	(8)

Information concerning the classification of securities

(i) Options

Options granted to employees under the various Hulamin 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.

54 197 400 (2019:47 214 968) options were not included in the calculation of diluted earnings per share because they were antidilutive for the year ended 31 December 2020. These options could potentially dilute basic earnings per share in the future.

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2. Performance: measures used to assess performance continued

2.3 Revenue from contracts with customers

(a) Accounting policies and significant judgements

(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 guidance provided under International Chamber of Commerce Terms of Trade, where applicable. This is typically when the goods are handed to the carrier nominated by Hulamin.

As assessment of the concept of "control" as defined in IFRS15 and "risk" as defined in the Inco terms was performed and the point at which "risk" passes from Hulamin is the same point at which "control" is transferred.

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.

(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. Consequently, 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) Disaggregation of revenue from contracts with customers

Revenue has been disaggregated into categories that depict how the nature, timing and uncertainty of revenue and cash flows are affected by economic factors. The group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region.

	2020 R'000	2019 R'000
Analysis of revenue by product market:		
Automotive and transport	**1 542 497**	1 194 723
Building and construction	**150 267**	259 207
General engineering	**2 254 509**	3 702 585
Packaging	**4 587 401**	5 552 066
Other	**14 204**	–
	8 548 878	10 708 581
Geographical analysis of revenue:		
South Africa	**2 950 413**	4 659 035
North America	**1 258 694**	2 207 098
Europe	**2 894 756**	2 435 942
Asia	**421 198**	376 207
Middle East	**222 358**	86 285
Australasia	**99 256**	75 611
South America	**80 700**	430 022
Rest of Africa	**621 503**	438 381
	8 548 878	10 708 581

(c) 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:

	2020 R'000	2019 R'000
Within one year	**857**	3 543

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items

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.

2.4.1 Expenses by nature

	2020 R'000	2019 R'000
Aluminium and other material costs	**5 061 218**	6 757 735
Utilities and other direct manufacturing costs	**1 145 312**	1 263 731
Employment costs (note 2.4.1(a))	**1 099 183**	1 200 513
Termination benefits (note 2.4.1(b))	**7 839**	114 396
Depreciation on property, plant and equipment (note 5.1)	**48 392**	107 625
Depreciation on right-of-use assets (note 5.2)	**8 691**	16 483
Amortisation of intangible assets (note 5.3)	**7 152**	12 116
Repairs and maintenance	**274 099**	305 816
Freight and commissions	**414 179**	544 284
Impairment of property, plant and equipment, right-of-use assets and intangible assets (note 2.4.4)	**8 432**	1 302 898
Other operating income and expenditure	**477 898**	495 159
	8 552 395	12 120 756
Classified as:		
Cost of sales of goods	**7 843 237**	9 929 196
Cost of providing services	**20 730**	76 066
Selling, marketing and distribution expenses	**469 749**	520 020
Administrative and other expenses (including net impairment losses on financial assets) (note 2.4.5)	**210 247**	292 576
Impairment of property, plant and equipment and intangible assets (note 2.4.4)	**8 432**	1 302 898
	8 552 395	12 120 756

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(a) 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.

	2020 R'000	2019 R'000
Employment costs		
Salaries and wages	**1 002 092**	1 103 179
Retirement benefit costs:	**54 372**	59 403
Defined contribution schemes (note 8.2)	**59 662**	68 167
Defined benefit scheme (note 8.2)	**(5 290)**	(8 764)
Post retirement medical aid costs (note 8.2)	**15 082**	23 757
Retirement gratuities (note 8.2)	**4 881**	7 206
Share incentive costs	**22 756**	6 968
	1 099 183	1 200 513

(b) Termination benefits

The business turnaround plan for the Hulamin Rolled products and Hulamin Extrusions divisions in 2019 included a strategy to reduce costs which resulted in the loss of 250 jobs. An agreement was reached with the local union representatives in November and October 2019 respectively, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant. Of the total cost of restructuring raised in 2019 of R114 million, R105 million was settled in 2019 and the balance was settled in the current year.

	2020 R'000	2019 R'000
Termination benefits can be attributable as follows:		
Hulamin Rolled Products	**7 839**	75 757
Hulamin Extrusions	**–**	38 639
	7 839	114 396

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

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

	2020 R'000	2019 R'000
Foreign exchange gains on debtors and creditors balances	**24 526**	(9 200)
Foreign currency denominated cash balances	**(14 973)**	(8 862)
Valuation adjustments on non-derivative items	**9 553**	(18 062)
Foreign exchange contracts: firm commitments, debtors and creditors balances	**(124 179)**	76 527
Commodity futures	**44 384**	21 106
Valuation adjustments on derivative items	**(79 795)**	97 633
Gains and losses on financial instruments related to trading activities	**(70 242)**	79 571

In 2019, Hulamin adopted the hedge accounting provisions of the new financial instruments standard, IFRS 9, which overcomes the limitations in IAS 39, which resulted in the commodity hedges being effective for hedge accounting purposes, thereby allowing profit and losses to be recognised in the same year as the underlying revenue (Refer to note 10 (b)).

2.4.3 Other gains and losses

	2020 R'000	2019 R'000
Loss on disposal of property, plant and equipment	**13**	(26 455)
Loss arising from loss of control in Isizinda	**(11 207)**	–
Gain on liquidation of pension fund	**16 000**	–
Gain on disposal of investment in Almin Metal Industries (note 6.2(i))	**–**	2 655
Other	**187**	–
Settlement of share-based payment – Isizinda (note 6.1.(d))	**–**	(65 000)
	4 993	(88 800)

The gain on liquidation of the pension fund is a receipt awarded to Hulamin in respect of the employee surplus account for the Tongaat Hulett Pension Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2.4.4 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 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 CGU 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. In assessing Value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are considered. If no such transactions can be identified, an appropriate valuation model is used.

These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

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

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

(a) Impairment assessment – Individual assets

(i) Isizinda Aluminium property, plant and equipment (Rolled Products Segment)
The current economic downturn in the property market served as an indicator for impairment (see note 6.1(d)). An impairment test was conducted, and it was determined that the carrying amount of land and buildings did not exceed the recoverable value of the property and as such the property was not impaired. The recoverable amount was determined to be R81.5 million (2019: R68.7 million). The fair value of the property is level 3 in the valuation hierarchy. The fair value of the property was determined with reference to market-related rental prices per square meter, accepted vacancy rates and maintenance costs per square metre. An independent valuator was used to determine the fair value less costs to sell.

(ii) Extrusions Olifantsfontein property, plant and equipment (Extrusions Segment)
In 2019, Hulamin Extrusions restructured its business operations, which included the disposal of its Olifantsfontein operation (refer note 2.4.1(b)(i)). This served as an indicator of impairment. An impairment test was conducted and it was determined that the carrying amount of plant and equipment exceeds its recoverable amount of R14.2 million, which represents fair value less costs of disposal. Accordingly, an impairment charge of R6 million was recognised in the prior year. The fair value of the property, plant and equipment is level 1 in the valuation hierarchy and was determined with reference to an agreement of sale entered into with a third-party buyer for these assets (refer note 6.2(ii)).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.4 Impairment of non-financial assets continued

(b) Impairment assessment – CGU

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the year under review. In the circumstances, and as required by IAS 36, management have assessed the recoverable amounts of the assets (or CGUs 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.

(i) Rolled Products CGU

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 business plan forecasts to ensure compliance with the Value-in-use methodology required by IAS 36. The group forecasts that free cash flows will improve in future periods.

Key assumptions include:

	2020 R'000	2019 R'000
Comparison of key assumptions		
Weighted average cost of capital		
– before tax	**21.5%**	22.4%
– after tax	**16.1%**	16.9%

		In year five		Compound annual growth rate	
		2020	**2019**	**2020**	**2019**
Annual average	(ZAR/USD)	**16.94**	16.04	**0.6%**	2.0%
Sales volume	(tons)	**235 000**	235 000	**8.7%**	2.9%
Rolling margins indexed against 2019	(USD/ton)	**107**	98	**1.9%**	1.8%
Total manufacturing costs indexed against 2019	(USD)	**98**	93	**5.8%**	1.1%
Working capital investment indexed against	(USD)	**130**	120	**3.7%**	5.0%

A pre-tax discount rate of 21.5% (post-tax 16.1%) was used in the calculation and this rate has decreased from the pre-tax 22.4% (post-tax 16.9%) used in 2019. The decrease in the discount rate is due to:

- Decreases in the component elements of the discount rate, particularly a decrease in the government bond rate and an increase in debt/equity reflecting higher peer gearing levels in recent times.
- These factors were partly offset by an increase in the market risk premium due to the higher level of uncertainty that exists across most market participants in current times.

Currency exchange rates are based on the median of forecasts by major financial and other institutions to 2022 and with reference to inflation differentials thereafter, with the ZAR/USD rate rising from an annual average of R15.50 in 2021 to R16.94 in 2025.

Although sales volumes are forecast to peak at levels similar to what was forecast in December 2019, the recovery from the lower Covid-19 2020 volumes will reduce cash flows in the next five years.

Rolling margin forecasts include anticipated changes in both market conditions and the product mix. The pressures on sales volume also impact selling prices and the sales mix. Selling prices will be maintained in the next few years while sales volume recovers in a post-Covid-19 world economy amidst the finalising of anti-dumping duties levied on rolled aluminium into the USA. The preliminary anti-dumping findings confer a relative advantage for Hulamin over most competing imports into the USA and forecast volumes assume that the final ruling will have a similar effect.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

Partially offsetting the lower volumes in the period of recovery from Covid-19 is the effect of import duty on aluminium imports into RSA that is effective from 2021. This duty is expected to improve domestic sales volume for much of the next five years.

These combined factors support that no impairment is necessary at year end.

Sensitivity analysis
The determination of the Value-in-use for Hulamin Rolled Products, and any resulting impairment, is particularly sensitive to:

Discount rate: A 1% increase in the post-tax discount rate may result in an impairment charge, before tax, of up to R218 million*.

Rolling margins: A reduction in average rolling margins of 5.0% for each year in the forecast period may result in an impairment charge, before tax, of up to R1 312 million*.

Rate of exchange: A R1,00 strengthening in the ZAR/USD rate for each year in the forecast period may result in an impairment charge, before tax, of up to R1 141 million.

* *The recognition of impairment charges is subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R701 million (2019: R646 million)*

(ii) Extrusions CGU

Following the restructuring of the business in H2 of 2019, and the closure of the Olifantsfontein plant, 2020 was the year to rebuild the business. Unfortunately, the Extrusions CGU experienced difficult trading conditions in the first half of 2020 as the country went into lockdown to curb the infection rate of Covid-19. However, this changed significantly in the second half of 2020 as the business and economy recovered. The market uncertainty impacting the achievement of these cash flows remains high and this is reflected in the discount rate. The carrying value of the assets therefore exceeds the recoverable amount by R34 million. The impairment charge was NIL based on the fair value less costs of disposal 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 23.3% (2019: 23.6%), post tax 16.8% (2019: 17.4%). The fair value less costs of disposal was determined by an independent valuator, utilising the market approach whereby comparable asset pricing was obtained in the second-hand market, adjusted as required for location, age and specification, less costs of disposal. The fair value level of the non-current assets represents level 2 in the valuation hierarchy.

Sensitivity analysis
The determination of the Value-in-use for Hulamin 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 R8.6 million* (2019: R12 million).

Earnings before tax: A 5% decrease in earnings before tax may result in an additional impairment charge, before tax, of up to R12 million* (2019: R10 million).

* *The recognition of impairment charges are subject to the limitation that individual assets in the CGU cannot be reduced to below each asset's recoverable amount. The cumulative recoverable amount limit is R22 million (2019: R18 million)*

The impairment charges recognised in the income statement are as follows:

	2020 R'000	2019 R'000
Isizinda Aluminium property, plant and equipment – note (a)(i)	**–**	13 032
Extrusions Olifantsfontein property, plant and equipment – note (a)(ii)	**8 432**	5 789
Rolled Products CGU – note (b)(i)	**–**	1 253 947
Extrusions CGU – note (b)(ii)	**–**	30 130
Total impairment charge	**8 432**	1 302 898
Taxation	**–**	(354 754)
Net impairment charge	**8 432**	948 144

The impairment charges on the CGUs have been allocated to all assets in the CGU, including right-of-use assets. The impairment charges allocated are limited to individual assets recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

2. Performance: measures used to assess performance continued

2.4 Material profit or loss items continued

2.4.5 Administrative and other expenses

The following items are included in administrative and other expenses:

	2020 R'000	2019 R'000
Increase in expected credit loss of debtors	**5 068**	1 906
Termination benefits (note 2.4.1(b))	**7 839**	114 396
Auditors' remuneration (Internal and external)	**15 053**	13 087
Audit fees	**14 906**	12 894
Fees for other services	**–**	–
Expenses	**147**	193

3. Debt/equity: measures to assess group leverage

3.1 Non-current borrowings

		2020 R'000	2019 R'000
Nedbank loan facility		**–**	54 000
Less: Current portion included in current borrowings (note 3.2)		**–**	(54 000)
		–	–
Effective interest rate	(%)	**–**	9.70

The Nedbank long-term loan was secured against a mortgage bond of R405 million (2019: R405 million) over land and buildings disclosed in note 5.1 with a carrying amount after impairments of R65.7 million (2019: R67.1 million).

The loan was repayable in quarterly instalments over five years commencing in March 2016. As the loan was repaid in full in 2020 (2019: R54 million) no amount is due within twelve months from reporting date. This loan was reclassified to current borrowings (note 3.2) in 2019.

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 is classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs, including own credit risk.

3.2 Current borrowings

		2020 R'000	2019 R'000
Nedbank revolving facilities		**789 053**	298 083
Current portion of term loan (note 3.1)		**–**	54 000
Pension fund loan (note 9.4)		**–**	–
		789 053	352 083
Effective interest rates are as follows:			
Nedbank revolving facility	(%)	**5.98**	8.96
Pension fund loan	(%)	**–**	0.49

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

The Nedbank revolving facilities comprise gross borrowings of R789 million (2019: R298 million) which has been offset by bank balances of Rnil million (2019: Rnil million) in terms of the loan agreements with Nedbank. A new agreement was signed with Nedbank in 2019 and under this agreement, there is no restriction on credit balances in the receivable account. Therefore, no cash will offset debt.

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 prior notification for the following specified events:

- 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; Amendments to the aluminium price and exchange rate hedging strategy; and/or
- Pre-approval is required when incurring additional financial indebtedness in excess of R50 million. The Nedbank Revolving Facility requires that the group comply with the following financial covenants:

	2020	2019
Current ratio	**>1.25**	>1.25
Debt to equity ratio*	**<0.50**	<0.50

* *As defined in the contractual agreements*

The group has complied with the financial covenants of its borrowing facilities during the 2020 and 2019 reporting period.

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

The fair values of the current borrowings approximate their carrying value based on the short-term nature of these borrowings.

3.3 Lease liabilities

At the commencement date of the lease, the group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments and variable lease payments that depend on an index or a rate. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the group. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The group leases various buildings, forklifts and IT equipment. Rental contracts typically extend for fixed periods of one to five years but may have further extension options. Rentals periods vary between monthly and quarterly. Lease payments for some contracts include CPI increases.

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

The maturity analysis of lease liabilities is disclosed in note 7.3.

	2020 R'000	2019 R'000
As at 1 January 2020	**46 493**	47 299
Additions	**32 939**	13 869
Payment of principal and interest	**(17 992)**	(19 622)
Interest	**6 324**	4 947
As at 31 December 2020	**67 764**	46 493
Current	**20 514**	12 088
Non-current	**47 251**	34 405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

3. Debt/equity: measures to assess group leverage continued

3.4 Net debt reconciliation

This section sets out an analysis of net debt and movements in net debt for the year ended 31 December 2020.

	2020 R'000	2019 R'000
Net debt comprises:		
Cash and cash equivalents	**38 045**	126 207
Non-current borrowings	**–**	–
Current borrowings	**(789 053)**	(352 083)
Lease liabilities	**(67 764)**	(46 493)
Net debt (note 7.4)	**(818 772)**	(272 369)
Cash and cash equivalents	**38 045**	126 207
Gross debt – variable interest rates	**(856 817)**	(398 576)
Net debt	**(818 772)**	(272 369)

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

	Assets	Liabilities from financing activities				
	Cash	Lease liabilities – due within one year	Lease liabilities – due after one year	Borrowings – due after one year	Borrowings – due after one year	Total
Opening balance as at 1 January 2019	525 981	(12 378)	(34 921)	(765 783)	(54 000)	(341 101)
Cash flows	(408 636)	(3 816)	(10 860)	467 700	–	44 388
Acquisition – leases	–	4 106	11 376	–	–	15 482
Transfer between categories	–	–	–	(54 000)	54 000	–
Foreign exchange adjustments	8 862	–	–	–	–	8 862
Net debt as at 31 December 2019	**126 207**	**(12 088)**	**(34 405)**	**(352 083)**	**–**	**(272 369)**
Cash flows	**(73 189)**	**(3 532)**	**(8 136)**	**(436 970)**	**–**	**(521 827)**
Acquisition – leases	**–**	**(4 894)**	**(4 709)**	**–**	**–**	**(9 603)**
Transfer between categories	**–**	**–**	**–**	**–**	**–**	**–**
Foreign exchange adjustments	**(14 973)**	**–**	**–**	**–**	**–**	**(14 973)**
Net debt as at 31 December 2020	**38 045**	**(20 514)**	**(47 250)**	**(789 053)**	**–**	**(818 772)**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

3.5 Stated capital, consolidation shares and treasury 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 (2019: 800 000 000 ordinary shares)

31 477 333 A ordinary shares of no par value (2019: 31 477 333 A ordinary shares)

36 072 000 B ordinary shares of no par value (2019: 36 072 000 B ordinary shares)

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 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

	2020 R'000	2019 R'000
Ordinary shares		
Closing balance: 324 318 436 shares of no par value (fully paid up) (2019: 319 596 836 shares (fully paid up)	**1 817 627**	1 817 580
A ordinary shares		
Closing balance: 26 755 733 A2 shares (fully paid up) (2019: 4 721 600 A1 and 26 755 733 A2 shares (fully paid up))	**59 609**	59 656
B ordinary shares		
Closing balance: 9 018 000 B1, 9 018 000 B2, 18 036 000 B3 shares (fully paid up) of no par value (2019: 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	**(59 970)**	(60 017)
Stated capital	**1 817 627**	1 817 580

Issued shares movement schedule

	2020 Number	2019 Number
Ordinary shares:		
Opening balance	**319 596 836**	319 596 836
A1 shares converted to ordinary share capital	**4 721 600**	–
Closing balance	**324 318 436**	319 596 836
A ordinary shares:		
Opening balance	**31 477 333**	31 477 333
Converted to ordinary issued shares	**(4 721 600)**	–
Closing balance	**26 755 733**	31 477 333
B ordinary shares:		
Opening balance	**36 072 000**	36 072 000
Movement	**–**	–
Closing balance	**36 072 000**	36 072 000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

3. Debt/equity: measures to assess group leverage continued

3.5 Stated capital, consolidation shares and treasury shares continued

(c) A and B ordinary shares

All A ordinary shares and B ordinary shares have voting rights which rank pari passu with ordinary shares. 4 721 600 A3 ordinary shares were authorised in terms of the BEE Extension transaction prior to 31 December 2020 and were issued on 13 January 2021. 4 721 600 A1 ordinary shares converted into ordinary issued shares on 22 December 2020 in terms of the BEE Transaction.

A3 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 2020, 6 801 529 unissued ordinary shares (2019: 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.

(e) Treasury shares

During the year a wholly-owned group company purchased 7 638 806 shares (2019: 8 183 539) shares on-market in order to hold treasury shares to settle share scheme obligations. The buy-back was approved by shareholders at the Annual General Meeting held on 15 May 2019. The shares were acquired at an average price of 178 cents per share (2019: 267 cents per share), with prices ranging from 220 to 125 cents per share (2019: 470 to 192 cents per share). The total cost of R13 816 000 (2019: R22 000 000) including after-tax transaction costs and excluding the vesting of the A1 ordinary shares of R47 000, was deducted from shareholder equity. The total reduction in paid-up capital was R35 816 000 (2019: R22 000 000).

3.6 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.

	2020 R'000	2019 R'000
Dividends per share declared		
Final dividend: Nil cents on 324 318 436 ordinary shares (2019: Nil cents on 319 596 836 ordinary shares)	–	–
Final dividend: Nil cents of 4 721 600 A1 ordinary shares prior to conversion to ordinary shares (2019: Nil cents on 4 721 600 A1 ordinary shares)	–	–
Total	–	–

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.

		2020 R'000	2019 R'000
Bank balances		38 031	110 182
Overnight call deposits		–	16 000
Cash on hand		14	25
		38 045	126 207
Effective interest rate on credit balances	**(%)**	–	1.38

Bank balances with a carrying value of R13.5 million (2019: R30.9 million) were 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

The group has sufficient liquidity available through its working capital facilities in place with Nedbank Limited. Committed undrawn facilities available at year-end are further detailed in note 7.3.

Included in bank balances are the following foreign currency denominated accounts:

	Closing rates	2020 R'000	2019 R'000
Euro	17.97	7 433	–
Pound Sterling	19.91	4 213	50
US Dollar	14.62	4 450	672

4.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs represents the costs incurred in bringing each product to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and costs necessary to make the sale.

The cost is determined on the following basis: Consumable stores: Weighted average.

Raw materials, work in progress and finished goods: First-in-first-out. The inventory balance consists of:

	2020 R'000	2019 R'000
Raw materials	407 695	352 349
Work-in-progress	632 568	520 040
Finished goods	998 380	1 023 437
Consumable stores	295 185	280 582
	2 333 828	2 176 408

Inventories with a carrying value of R1 886 million (2019: R1 998 million) are encumbered as security for borrowing facilities (note 3.2). Inventories recognised as an expense during the year ended 31 December 2020 amounted to R7 850 million (2019: R10 000 million). Certain items of inventory were written down to net realisable value. These were recognised as an expense and included in cost of sale of goods in the statement of profit or loss as follows:

	2020 R'000	2019 R'000
Inventory net realisable value adjustment	23 022	18 649

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. Details of the group's impairment policies are provided in section (c) below.

Due to the short-term nature of the current receivables, the carrying amount approximates their fair value.

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 an overdue 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

(b) Financial and non-financial assets

	2020 R'000	2019 R'000
Financial assets	**964 350**	702 160
Trade receivables – net of settlement discounts	**903 899**	695 727
Less: Loss allowance	**(9 959)**	(7 001)
Net Trade receivables	**893 940**	688 726
Sundry receivables	**70 410**	13 434
Non-financial assets	**132 985**	102 255
Prepayments	**53 523**	40 786
Value-added taxation receivable	**79 462**	61 469
	1 097 335	804 415

Included in trade receivables is an amount of R17.8 million (2019: R16.6 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.

Included in sundry receivables is a R16 million accrual arising from the liquidation of the Tongaat Hulett Pension Fund, R20 million due from the sale of liquid metal which does not form part of Hulamin's core business and sundry deposits placed with Customs of R20 million.

(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 uninsured portion of 20% (2019: 10%) and a franchise loss. 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 performs an assessment at the end of each reporting period of the change in credit risk from when the trade receivables were recognised. This includes an assessment of default. As the trade receivables are insured, as detailed above, historical assessment indicates a low risk of default.

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 2020 or 1 January 2020 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 Hulamin 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, affected trade receivables are specifically provided for.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

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 2020 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2020								
Expected loss rate	(%)	**–**	**0.3**	**1.3**	**1.9**	**2.0**	**1.8**	
Gross carrying amount	(R'000)	**373 499**	**98 149**	**18 924**	**5 939**	**2 664**	**2 431**	**501 606**
Loss allowance	(R'000)	**19**	**252**	**241**	**115**	**54**	**43**	**724**
Local debtors at 31 December 2020								
Expected loss rate	(%)	**–**	**0.1**	**1.6**	**(0.9)**	**25.7**	**44.5**	
Gross carrying amount	(R'000)	**395 657**	**99 631**	**10 395**	**(448)**	**4 260**	**17 678**	**527 173**
Loss allowance	(R'000)	**11**	**88**	**170**	**4**	**1 097**	**7 864**	**9 234**

The loss allowance as at 31 December 2019 was determined as follows for trade receivables:

		Current	30 days	60 days	90 days	120 days	More than 120 days	Total
Export debtors at 31 December 2019								
Expected loss rate	(%)	–	0.3	1.2	1.9	1.8	–	
Gross carrying amount	(R'000)	378 502	113 161	13 213	7 242	3	122	516 243
Loss allowance	(R'000)	20	289	164	137	73	–	683
Local debtors at 31 December 2019								
Expected loss rate	(%)	–	0.3	0.6	7.1	37.9	65.1	
Gross carrying amount	(R'000)	175 506	46 164	29 903	2 367	3 769	6 715	264 424
Loss allowance	(R'000)	17	154	174	169	1 429	4 375	6 318

The closing loss allowance for trade receivables as at 31 December 2020 reconciles to the opening loss allowance as follows:

	2020 R'000	2019 R'000
Opening balance	**7 001**	5 271
Increase in loss allowance recognised in profit or loss during the year	**5 068**	1 906
Receivables written off during the year as uncollectible	**(2 110)**	(176)
Closing balance	**9 959**	7 001

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

4. Working capital: measures used to assess liquidity continued

4.3 Trade and other receivables continued

(d) Credit risk of trade receivables

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Customer credit risk is managed by each business unit subject to the group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Outstanding customer receivables are regularly monitored and any shipments to major customers are generally covered by letters of credit or other forms of credit insurance. 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 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 2020, the ageing analysis of trade and sundry receivables, which constitute financial assets, is as follows:

	2020 R'000	2019 R'000
Receivables that are not overdue and remain within credit limits	**889 948**	502 678
Receivables which have exceeded credit terms and are:	**74 859**	199 482
Overdue by less than 60 days	**53 853**	194 851
Overdue by more than 60 days	**21 006**	4 631
Total financial assets, net of provision for credit losses	**964 807**	702 160

		2020 R'000	2019 R'000
Local trade receivables		**475 416**	155 659
– Balance subject to credit insurance	(%)	**95**	92
Export trade receivables		**442 291**	333 585
– Balance subject to credit insurance	(%)	**100**	92
		917 707	489 244

At 31 December 2020, the group had 22 debtors that owed it more than R10 million each and accounted for approximately 78% of all receivables outstanding (the prior year included 22 debtors that owed it more than R10 million each and accounted for approximately 68% of all receivables outstanding). There is no other significant concentration of risk related to a particular customer or industry segments. As at 31 December 2020, 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:

Individual trade receivables covered by credit insurance are subject to 20% excess on local and export debtors.

Trade and other receivables with a carrying value of R790 million (2019: R757.2 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.

	2020 Foreign amount '000	2020 Rand amount R'000	2019 Rand amount R'000
Euro	**2 124**	**38 170**	–
US Dollar	**4 657**	**68 071**	219 069
		106 241	219 069

4.4 Trade and other payables

	2020 R'000	2019 R'000
Trade payables	**876 535**	769 568
Bonus accrual	**15 946**	9 363
Termination benefits**	**–**	9 209
Leave pay*	**67 669**	65 438
Current leave obligations expected to be settled after 12 months	**18 693**	16 704
Current leave obligations expected to be settled within 12 months	**48 976**	48 734
Outstanding Isizinda settlement value (note 6.1(d))	**–**	15 000
Sundry accruals and other payables***	**154 638**	136 543
	1 114 788	1 005 121

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

** *Termination benefit provisions are recognised only when the group has a constructive obligation, which is when: (i) there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and (ii) the employees affected have been notified of the plan's main features. Refer note 2.4.1(b) for more detail*

*** *Sundry accruals and other payables include provisions, employee benefit obligations and accrued interest and is due to be settled within 12-months*

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Due to the short-term nature of the current payables, the carrying amount approximates their fair value.

5. Long-term assets: utilisation of fixed and intangible assets

5.1 Property, plant and equipment

(a) Accounting policies and significant judgements

Capital works under construction is stated at cost, net of accumulated impairment losses. Plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects.

(i) Useful lives and residual values

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Buildings	30 to 50 years
Plant and machinery	4 to 50 years
Vehicles	4 to 10 years
Equipment	5 to 20 years
Furniture	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, the useful lives and residual values were assessed by the Asset Management team who have appropriate skills and expertise to make such assessments. No adjustments have been made to these.

(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.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's general borrowings during the year. The amount of borrowing costs capitalised during the year ended 31 December 2020 was R7.6 million (2019: R6.2 million). The weighted average interest rate used for borrowing costs capitalised is 7.5% (2019: 9.23%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(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
2020					
At cost					
Balance at beginning of year	**8 118 634**	**1 104 372**	**6 491 954**	**233 970**	**288 338**
Additions	**131 432**	**1 589**	**13 792**	**190**	**115 861**
Deconsolidation of Isizinda (note 6.1 (d))	**(120 811)**	**(72 472)**	**(21 587)**	**(20 278)**	**(6 474)**
Borrowing costs capitalised	**7 590**	**–**	**–**	**–**	**7 590**
Capitalised from capital works under construction	**–**	**879**	**82 487**	**4 722**	**(88 088)**
Transfers to intangible assets	**(20 049)**	**–**	**–**	**–**	**(20 049)**
Disposals	**(15 043)**	**–**	**(2 108)**	**–**	**(12 935)**
Transfer to assets-held-for sale (note 6.2)	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**8 101 753**	**1 034 368**	**6 564 538**	**218 604**	**284 243**
Accumulated depreciation and impairment losses					
Balance at beginning of year	**7 305 064**	**881 511**	**6 022 080**	**194 404**	**207 069**
Charge for the year (note 2.4.1)	**48 392**	**8 265**	**33 033**	**7 094**	**–**
Deconsolidation of Isizinda (note 6.19(d))	**(72 411)**	**(16 717)**	**(45 224)**	**(7 450)**	**(3 020)**
Capitalised from capital works under construction	**–**	**–**	**1 131**	**–**	**(1 131)**
Impairment of property, plant and equipment (note 2.4.4)	**8 432**	**–**	**8 432**	**–**	**–**
Disposals	**(821)**	**–**	**(821)**	**–**	**–**
Transfer to assets-held-for sale (note 6.2)	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**7 288 656**	**873 059**	**6 018 631**	**194 048**	**202 918**
Carrying value at 31 December 2020	**813 097**	**161 309**	**545 907**	**24 556**	**81 325**
2019					
At cost					
Balance at beginning of year	8 037 015	1 114 589	6 567 947	217 476	137 003
Additions	305 095	4 806	30 725	3 597	265 967
Borrowing costs capitalised	6 245	–	–	–	6 245
Capitalised from capital works under construction	–	1 364	105 485	12 897	(119 746)
Transfers to assets-held-for-sale (note 6.2)	(77 529)	(16 387)	(60 011)	–	(1 131)
Disposals	(152 192)	–	(152 192)	–	–
Balance at end of year	8 118 634	1 104 372	6 491 954	233 970	288 338
Accumulated depreciation and impairment losses					
Balance at beginning of year	6 135 221	571 134	5 343 230	153 045	67 812
Charge for the year (note 2.4.1)	107 625	18 850	76 930	11 845	–
Capitalised from capital works under construction	–	329	17 784	5 422	(23 535)
Impairment of property, plant and equipment (note 2.4.4)	1 251 603	300 165	782 667	29 514	139 257
Transfers to assets-held for-sale (note 6.2)	(126 105)	–	(126 105)	–	–
Disposals	(63 280)	(8 638)	(54 642)	–	–
Balance at end of year	7 305 064	881 840	6 039 864	199 826	183 534
Carrying value at 31 December 2019	813 570	222 532	452 090	34 144	104 804

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

5. Long-term assets: utilisation of fixed and intangible assets continued

5.1 Property, plant and equipment continued

(b) Property, plant and equipment movement schedule continued

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

Moveable items with a carrying value of R12.9 million (2019: R17.2 million) and land and buildings, largely production buildings located at the Campsdrift site, with a carrying value of R65.6 million (2019: R67.1 million) are encumbered as security for borrowing facilities (note 3.1).

The total depreciation charge is included in cost of sales, R66.8 million (2019: R78.7 million), and inventory, R9.4 million (2019: R28.9 million).

Included in property, plant and equipment are assets with a carrying amount of R21.8 million (2019: R21.8 million) which are currently mothballed and not classified as held-for-sale.

5.2 Right-of-use assets

The group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

The group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Land and buildings	5 to 20 years
Vehicles, equipment and other	5 to 10 years

The group applies the short-term lease recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value, which would generally include rental of printers etc. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

The lease liabilities relating to the right-of-use assets are disclosed in note 3.3.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Total R'000	Land and buildings R'000	Vehicles, equipment R'000
1 January 2019	**47 299**	**7 617**	**39 682**
Additions	**13 869**	**–**	**13 869**
Depreciation expense (note 2.4.1)	**(16 483)**	**(1 345)**	**(15 138)**
Impairment (note 2.4.4)	**(27 577)**	**(4 027)**	**(23 550)**
31 December 2019	**17 108**	**2 245**	**14 863**
Additions	**36 133**	**32 779**	**3 354**
Depreciation expense (note 2.4.1)	**(8 691)**	**(2 110)**	**(6 581)**
31 December 2020	**44 550**	**32 914**	**11 636**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

5.3 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. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. 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. 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 7.5% (2019: 9.23%).

Capital work in progress ("CWIP") included within the total software cost above is R5.7 million (2019: R14.7 million).

	2020 R'000	2019 R'000
Software costs – internally generated and capitalised		
Balance at beginning of year	**77 270**	93 103
Additions	**22 919**	4 118
Written off	**–**	(19 951)
Balance at end of year	**100 189**	77 270
Accumulated amortisation		
Balance at beginning of year	**71 047**	70 096
Charge for the year (note 2.4.1)	**3 757**	6 910
Written off	**–**	(19 582)
Impairment of intangible assets (note 2.4.4)	**–**	13 623
Balance at end of year	**74 804**	71 047
Carrying value at end of year	**25 385**	6 223
Software costs – purchased		
Balance at beginning of year	**106 332**	104 228
Additions	**5 977**	2 104
Written off	**–**	–
Balance at end of year	**112 309**	106 332
Accumulated amortisation		
Balance at beginning of year	**99 398**	84 099
Charge for the year (note 2.4.1)	**3 395**	5 206
Written off	**1 739**	–
Impairment of intangible assets (note 2.4.4)	**–**	10 093
Balance at end of year	**104 532**	99 398
Carrying value at end of year	**7 777**	6 934
Total software costs		
Cost	**212 498**	183 602
Accumulated amortisation	**(179 336)**	(170 445)
Carrying value at end of year	**33 162**	13 157

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

5. Long-term assets: utilisation of fixed and intangible assets continued

5.4 Finance lease receivable

The group entered into a lease arrangement as a lessor in the current year which is considered to be a finance lease. The group leases property, plant and machinery and as they transfer substantially all of the risks and rewards of ownership of the assets they are classified as finance leases.

The lease receivable arises due to a leasing agreement entered into with Bingelela Alloys. This lease represents a finance lease under the requirements of IFRS 16 and the related property, plant and machinery item subject to the lease was derecognised and the lease receivable recognised. This lease is over a period of years.

The following reconciliation reflects the anticipated cash receipts over the period of the lease:

	2020 R'000
Opening balance	–
Additions in the current year	14 204
Interest income	933
Other income statement charges	818
Proceeds	(2 950)
Closing balance	13 005

The information relating to the finance lease receivable is disclosed below:

Finance lease receivable

	2020
Current	4 523
Non-current	8 482
	13 005

Finance lease arrangements

	2020
Less than 1 year	4 523
1 – 2 years	9 046
2 – 3 years	7 814
3 – 4 years	–
Gross Investment in lease receivable	21 383
Unearned future interest	(8 378)
Net Investment in lease receivable	13 005

Profit and loss information

	2020
Profit or loss impact	1 183
Finance income on the net investment in the lease	933

5.5 Capital expenditure commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2020 R'000	2019 R'000
Property, plant and equipment	52 681	84 824

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

6. Investments: investments in subsidiaries, associates and joint ventures

6.1 Details of investments in subsidiaries, associates and joint venture

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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. Specifically, the group controls an investee if, and only if, the group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The group's voting rights and potential voting rights.

The group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. 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.

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) Investment in joint ventures

The group applies IFRS 11, "Joint Arrangements" to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for applying the equity method.

Under the equity method of accounting, interest in joint ventures is initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the group's net investment in joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains/losses on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

During the current year, the group obtained a 38.7% investment in joint venture, Isizinda through the loss of control over Isizinda as detailed in note 1.6(v) and 6.1(e).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

6. Investments: investments in subsidiaries, associates and joint ventures continued

6.1 Details of investments in subsidiaries, associates and joint venture continued

(c) The consolidated financial statements of the group include:

	Country of incorporation	Percentage equity interest 2020	Percentage equity interest 2019	Principal activities
Subsidiaries				
Hulamin Rolled Products Proprietary Limited*	South Africa	**100**	100	Dormant
Hulamin Containers Proprietary Limited*#	South Africa	**100**	100	Container fabricator
Hulamin Operations Proprietary Limited	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions Proprietary Limited*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Joint venture				
Isizinda Aluminium Proprietary Limited (note 6.1(d))	South Africa	**38.7**	38.7	Property owning company

* *Subsidiaries of Hulamin Operations Proprietary Limited*

Formerly known as Hulamin Systems Proprietary Limited and into which the Containers division was sold on 1 November 2020

Structured entities

The following structured entities have been consolidated:

- Imbewu SPV 14 Proprietary Limited (note 8.1(d)(i))
- The 2015 Hulamin Employee Share Ownership Trust (note 8.1(d)(ii))

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

(d) Interests in joint ventures

1. LOSS OF CONTROL

The shareholders of Isizinda, namely Bingelela Capital Proprietary Limited ("Bingelela") and Hulamin Operations Proprietary Limited ("Hulamin Operations"), agreed on a restructure of Isizinda during the 2019 financial year, whereby, *inter alia*:

(i) Hulamin acquired the rolling slab casting business and assets from Isizinda, effective 1 January 2020, and entered into a lease agreement with Isizinda to continue operating this casting facility. All funds derived by Isizinda from the proceeds of the rolling slab casting business and assets shall be applied in the reduction of Isizinda's indebtedness to Hulamin.

(ii) Hulamin, in the prior year, advanced the sum of R50 million to Isizinda, who used these funds to declare and pay a dividend of R35 million to Bingelela. The balance of R15 million was paid into an escrow account and will be declared as a dividend and paid to Bingelela upon conclusion of a new metal agreement between Hulamin and the Hillside operation of South32. This is considered probable.

The sale of the slab assets from Isizinda to Hulamin results in a change in the relevant activities of Isizinda to that of a property management company for which unanimous consent is required to make any decisions with regards to the relevant activities.

Accordingly, upon the effective date of sale, the "relevant activities" of Isizinda, in terms of IFRS 10, have changed materially and, as of 1 January 2020, management assessed that Hulamin no longer controls Isizinda in terms of the requirements of IFRS 10. Management considered the disposal group in terms of IFRS 5 *Non-current assets held for sale and discontinued operations*, and concluded that as the operating activities "disposed of" in the loss of control were re-acquired by the group through the purchase of the rolling slab casting business that this did not meet the definition of a discontinued operation and hence no additional disclosure was required.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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The loss on loss of control represents the difference between the net assets deconsolidated and the fair value of the investment in joint venture.

	R'000
Total disposal consideration (see point 2 (iii) below)	**84 373**
Carrying amount of net assets deconsolidated	**(95 580)**
Loss arising from loss of control before and after income tax	**(11 207)**

2. FAIR VALUE OF REMAINING INVESTMENT

The fair value of the identifiable assets and liabilities of Isizinda held by the group as at the date of derecognition were:

	R'000
Property, plant and equipment	**77 798**
Trade debtors	**228 787**
Cash and cash equivalents	**7 346**
Income tax asset	**2 757**
Total assets	**316 688**
Deferred tax liabilities	**15 280**
Trade creditors	**207 384**
Current borrowings	**94 024**
Total liabilities	**316 688**
Total identifiable net assets at fair value	**–**

Calculation of fair value:

(i) Land and buildings: The recoverable value was determined with reference to market-related rental prices per square meter, accepted vacancy rates and maintenance cost per square meter to determine a Value-in-use of unoccupied land and buildings. Inputs were obtained from third party property market reports. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

The following significant unobservable inputs have the greatest impact in determining the fair value:

Rental price per square meter	R20.18
Maintenance cost per square meter	R5.65
Vacancy rates	4.00%
Capitalisation rate	12.50%

(ii) Plant and machinery: The fair value of idle plant and machinery was determined with reference to the selling price of similar items of plant and machinery adjusted for the cost to dispose. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

(iii) The fair value of the remaining investment in joint venture and the loan granted to Isizinda recognised on 1 January 2020 was:

	Fair value at derecognition R'000
Fair value of Hulamin Operation's share of the equity component (38.7%)	
Fair value Hulamin Operation's loan to Isizinda, classified as follows:	
Current	45 643
Non-current	38 730
	84 373

The fair value of the loan to Isizinda was determined with reference to a Value-in-use model of the business and the future cash flows have been estimated using a discount rate of 15.73%. Inputs are ranked as level 3 on the fair value hierarchy. The fair value measurement is non-recurring.

The fair value is sensitive to changes to these unobservable inputs. Changes to these inputs might result in a significantly higher or lower fair value measurement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

6. Investments: investments in subsidiaries, associates and joint ventures continued

6.1 Details of investments in subsidiaries, associates and joint venture continued

3. JOINT ARRANGEMENTS

(a) Initial recognition and subsequent measurement

The group applies IFRS 11, "Joint Arrangements" to all joint arrangements. Investments in joint arrangements are classified as either joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The group has assessed the nature of its joint arrangement and determined it to be a joint venture. Joint ventures are accounted for applying the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interest that, in substance, forms part of the group's net investment in joint venture), the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of joint ventures.

Unrealised gains/losses on transactions between the group and its joint ventures are eliminated to the extent of the group's interest in the joint venture. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(b) Investment in Isizinda Aluminium Proprietary Limited ("Isizinda")

During the current year, the group obtained a 38.7% investment in joint venture, Isizinda through the loss of control over Isizinda as detailed in note 6.1(d). Isizinda is a separate structured vehicle incorporated and operating in South Africa. The primary activity of Isizinda is the management of properties, including the maintenance thereof, disposal of properties and other assets, sourcing, vetting and ongoing maintenance of tenants, and determining the terms for lease agreements.

In determining whether an entity has control or joint control over an investee, one needs to determine what the investee's relevant activities are and who can direct those activities. The relevant activities are those that significantly impact the economic performance or returns over the investee entity. The Memorandum of Incorporation and shareholders agreement requires that the management and decision-making over Isizinda's operations requires unanimous consent of all shareholders. Hulamin Operations holds a protective right to prevent dividend payments before settlement of its loan by Isizinda. This protective right does not prevent the counterparty from exercising its rights regarding the management of Isizinda's operations and decision-making thereon.

IFRS 11.8 provides guidance that all parties control an arrangement when they must act together to direct the activities that significantly affect the returns of the arrangement. As the decision-making over Isizinda's relevant activities requires unanimous consent of both Hulamin Operations and Bingelela, neither party can make decisions on Isizinda's operations independently of the other party. Therefore, Isizinda is jointly controlled by Hulamin Operations and Bingelela.

The contractual arrangement provides the group with only the right to the net assets of the joint arrangement, with the voting rights to the assets and obligation for liability of the joint arrangement resting primarily with Hulamin Operations Proprietary Limited. Under IFRS 11, this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

The summary of financial information in relation to the joint venture as presented below is disclosed at Hulamin Operations' proportional shareholding of 38.7 percent.

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Summarised financial information in relation to the joint venture is presented below:	Group proportionate share 38.75% R'000	100% Entity Balance R'000
Summarised statement of financial position		
Current	–	–
Cash and cash equivalents	64	165
Other current assets	2 532	6 543
Total current asset	2 596	6 708
Financial liabilities (excluding trade payables)	29 065	75 102
Total current liabilities	35 828	92 580
Non-current	–	–
Property, plant and equipment	33 529	86 638
Total non-current asset	33 529	86 638
Net assets	296	766
Summarised statement of comprehensive income	–	–
Revenue from contracts with customers	561	1 450
Finance costs	(2 242)	(5 793)
Finance income	96	248
Loss before tax	(3 562)	(9 205)
Income tax expense	1 997	5 160
Loss after tax	(1 565)	(4 045)
Total comprehensive loss	(1 565)	(4 045)
Reconciliation of summarised financial information presented to the carrying amount of the joint venture	–	
Opening net assets on 1 January 2020	–	
Adjusted total comprehensive loss for the year	(1 565)	
Loan balance attributable to joint ventures*	63 924	
Impairment on loans to joint ventures	(3 724)	
Carrying value	58 635	
Interest in joint venture	38.7	

* *The loan to Isizinda was subordinated in favour of other creditors and as such at year-end the full loan was non-current*

6.2 Non-current assets held-for-sale

The group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

6. Investments: investments in subsidiaries, associates and joint ventures continued

6.2 Non-current assets held-for-sale

(i) Almin Metal Industries Limited ("Almin")

During the 2018 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. All conditions of sale have since been satisfied and the associate was disposed of in 2019. The difference between the carrying amount of the associate of R6.5 million and the proceeds from disposal amounting to R8.7 million (after the payment of an amount of R0.4 million in capital gains tax) was recognised in profit or loss as a gain on disposal (note 2.4.3).

(ii) Extrusions Olifantsfontein plant

In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which included the intended disposal of the property, plant and equipment of its Olifantsfontein operation (refer to note 2.4.1(b) for further details).

It was further determined that the assets relating to the Olifantsfontein plant were going to be recovered principally through sale rather than through use. The sale of these assets was highly probable. Hulamin Extrusions entered into an agreement of sale of these assets with a third party. The sale of these assets was expected to realise within one year from 30 June 2019 (classification date). At classification date, the carrying amount was lower than its fair value less costs to sell, thus no impairment loss was recognised. Subsequently the fair value less costs to sell was determined with reference to a binding sale agreement, which indicated that the carrying amount exceeded the fair value less costs to sell by R6 million and consequently an impairment charge of that amount was booked in profit or loss (refer note 2.4.4 (a)(ii). The sale of this asset was realised in 2021.

	2020 R'000	2019 R'000
Investment in associate – Almin	**–**	–
Property, plant and equipment – Extrusions Olifantsfontein (note 5.1(b))	**14 250**	14 250
	14 250	14 250

7. Financial risk management: measures to mitigate risk

Financial risk factors

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by a central treasury department (group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments.

7.1 Market risk

(a) Foreign exchange risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro.

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 operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. The group's risk management policy is to hedge its currency exposure related to import and export transactions, foreign currency assets and liabilities.

The group uses foreign exchange contracts, transacted with commercial banks, to manage these risks.

For every 5% weakening or strengthening of the South African Rand against the group's foreign currency exposure at 31 December, the after-tax profit for the year would have been higher or lower by R4 043 089 (2019: R720 405) 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. There were no currency cash flow hedges at the end of 2020 and therefore for currency cash flow hedges the above change in currency exchange rates would have resulted in equity being lower or higher by Rnil (2019: R18 360 107).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

(b) Commodity price risk

The group purchases and sells aluminium at prices that fluctuated with movements on the London Metal Exchange and as a result the group is exposed to commodity price risk from the time the aluminium is purchased to when it is sold to a customer (Metal Price Lag). The group uses LME future contracts to manage the commodity price risk. Due to this commodity price risk having opposing effects on cash flows and profit, the strategy was to hedge 50% of the risk using futures contracts. The group suspended the hedging strategy for LME futures in the first quarter of 2020. The group has additional hedges in place for customer orders where the price has been fixed for a future delivery date fixed price contracts (FPC).

Due to hedge accounting for commodity hedges, 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 Rnil (2019: Rnil) based on the group's exposure to firm customer commitments (FPC) at the balance sheet date. The above change in aluminium prices would have had a R1 550 628 effect on equity (2019: R23 177 081)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. 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 (2019: nil) and no effect on equity (2019: nil).

The group is also exposed to future cash flow risks on borrowings. Had interest rates for the year been 0,5 percentage points higher or lower and been applied to the period-end net debt, the interest expense for the year would have been higher or lower by R4 million (2019: R1.4 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.

(d) Hedge accounting

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions (i.e., notional amount and expected payment date). The group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the group used the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks.

The group uses forward exchange contracts, FPCs and LME future contracts to hedge its exposure to foreign currency and commodity risk. When hedge accounting is applied, 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 and the forward element of the LME future contracts that relate to hedged items are recorded in equity.

(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 are 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(d) Hedge accounting continued

(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.

On the implementation of the hedging component of IFRS 9, "Financial Instruments" during the current year, When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

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.

(iii) Impact of hedging on equity

Set out below is the reconciliation of each component of equity and the analysis of other comprehensive income:

	Spot component of currency forwards R'000	Spot component of LME futures R'000	Intrinsic value of options R'000	Cost of hedging R'000	Total hedge R'000
Opening balance – January 2019	(6 280)	–	–	–	(6 280)
Add: Change in fair value of hedging	–	–	–	–	–
instrument recognised in OCI	7 495	39 326	10 218	–	57 039
Add: Costs of hedging deferred and recognised in OCI	–	–	–	23 801	23 801
Less: Reclassified to profit or loss	–	–	–	–	–
– on hedge maturity	21 585	(48 901)	–	(27 434)	(54 750)
Less: Deferred tax	(8 142)	2 681	(2 861)	1 017	(7 305)
Closing balance – December 2019	14 658	(6 894)	7 357	(2 616)	12 505

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

	Spot component of currency forwards R'000	Spot component of LME futures R'000	Intrinsic value of options R'000	Cost of hedging R'000	Total hedge R'000
Opening balance – January 2020	**14 658**	**(6 894)**	**7 357**	**(2 616)**	**12 505**
Add: Change in fair value of hedging	–	–	–	–	–
instrument recognised in OCI	**(237 789)**	**118 509**	**(109 706)**	**15 471**	**(213 515)**
Add: Costs of hedging deferred and recognised in OCI	–	–	–	**(11 838)**	**(11 838)**
Less: Reclassified to profit or loss	–	–	–	–	–
– on hedge maturity	**217 431**	**(106 540)**	**99 488**	–	**210 379**
Less: Deferred tax	**5 700**	**(3 351)**	**2 861**	**(1 017)**	**4 193**
Closing balance – December 2020	–	**1 724**	–	–	**1 724**

(iv) Amount recognised in profit or (loss)

During the year the following amounts were recognised in profit or (loss) in relation to derivative instruments that were hedge accounted for:

	2020 R'000	2019 R'000
Net gains on forwards for LME futures not qualifying as hedges included in gains and losses on financial instruments relating to trading activities	**31 707**	(27 434)
Hedge ineffectiveness of foreign currency forwards included in gains and losses on financial instruments relating to trading activities	**(146 191)**	3 887
Cash flow hedges included in revenue	**(95 895)**	(31 203)
	(210 379)	(54 750)

(v) Hedge ineffectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument.

There is an economic relationship between the hedged items and the hedging instruments as the terms of the foreign exchange and commodity forward contracts match the terms of the expected highly probable forecast transactions. The Group established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign exchange and commodity forward contracts are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instruments against the changes in fair value of the hedged items attributable to the hedged risks. Hedge ineffectiveness can arise from:

- Differences in the timing of the cash flows of the hedged items and the hedging instruments.
- Different indexes (and accordingly different curves) linked to the hedged risk of the hedged items and hedging instruments.
- The counterparties' credit risk differently impacting the fair value movements of the hedging instruments and hedged items.
- Changes to the forecasted amount of cash flows of hedged items and hedging instruments.

The loss recognised in profit/(loss) as a result of hedge ineffectiveness amounts to R146.2 million (2019: profit of R3.8 million), refer note 7.1 (d) (vi).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
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7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(d) Hedge accounting continued

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

	2020 R'000	2019 R'000
Foreign currency management – probable forecast sales	**–**	41 551
Foreign currency management – firm commitments, trade debtors, creditors and import orders	**5 313**	16 727
Commodity price management	**2 395**	(13 643)
	7 708	44 635
Grouped as:		
Financial assets	**7 708**	88 661
Financial liabilities	**–**	(44 026)
	7 708	44 635

The credit quality of all derivative financial assets is sound and there have been no defaults in past years. None are overdue nor 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 2020 is R7.7 million (2019: R58.3 million).

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

(e) 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:

	2020			2019		
	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000
Forward purchases						
US Dollar	–	–	–	13 125	189 697	(5 594)
	–	–	–	13 125	189 697	(5 594)
Forward sales						
US Dollar	–	–	–	(48 733)	(732 579)	47 145
	–	–	–	(48 733)	(732 579)	47 145
Net total	–	–	–	(35 608)	(542 883)	41 551
Maturing in*:						
2020	–	–	–	–	(542 882)	41 551
2021	–	–	–	–	–	–
	–	–	–	–	(542 882)	41 551
Cash flow hedges		–	–	–	(542 882)	41 551
Grouped as:						
Financial assets	–		–	–		47 204
Financial liabilities	–		–	–	–	(5 653)
	–	–	–	–	–	41 551

* *Derivative instruments on average hold a maturity of three-months or less. Cash flow hedges*

Cash flow hedges

The group uses FECs to hedge US Dollar exposure 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 forecast sales transaction attributable to movements in exchange rates to the change in the fair value of the FECs.

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

The following forward foreign exchange contracts and options cover foreign currency risk on trade debtors, creditors balances and import orders. The forward exchange contracts were not designated as hedging instruments for hedge accounting purposes at the period end:

	2020			2019		
	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000	Foreign amount R'000	Rand amount R'000	Fair value asset/ (liability) R'000
Forward purchases						
Euro	**11 019**	**(198 782)**	**(196)**	10 522	167 810	(1 434)
Pound Sterling	**–**	**–**	**–**	531	10 104	(245)
US Dollar	**4 834**	**(71 710)**	**(781)**	41 810	604 879	(16 474)
		(270 492)	**(977)**		782 793	(18 153)
Forward sales						
Euro	**(23 277)**	**423 584**	**3 299**	(14 302)	(230 187)	4 085
Pound Sterling	**–**	**–**	**–**	(287)	(5 562)	245
US Dollar	**(7 542)**	**113 522**	**2 992**	(49 305)	(712 053)	19 897
		537 106	**6 291**		(947 802)	24 227
Currency options						
US Dollar	**–**	**–**	**–**	(10 000)	(151 300)	10 653
	–	**–**	**–**	–	(151 300)	10 653
Net total	**–**	**266 615**	**5 313**	–	(316 309)	16 727
Maturing in:*						
2020	**–**	**–**	**–**	–	(316 309)	16 727
2021	**–**	**266 615**	**5 313**	–	–	–
	–	**266 615**	**5 313**	–	(316 309)	16 727
Grouped as:						
Financial assets	**–**	**–**	**6 291**	–	–	35 263
Financial liabilities	**–**	**–**	**(978)**	–	–	(18 536)
	–	**–**	**5 313**	–	–	16 727

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

7. Financial risk management: measures to mitigate risk continued

7.1 Market risk continued

(g) Commodity price management

The following futures contracts cover commodity price risk on future sales. The requirement for hedge accounting were met in 2020 and 2019:

	2020			2019		
	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*:						
2020				(18 575)	32 389	(13 643)
2021	**1 075**	**(28 910)**	**2 394**			
	1 075	**(28 910)**	**2 394**	(18 575)	32 389	(13 643)
Grouped as:						
Financial assets			**2 394**			6 194
Financial liabilities			**–**			(19 837)
			2 394			(13 643)

The group may enter into London Metal Exchange (LME) futures to hedge the metal price exposure on firm commitments with customers and probable forecast sales. These LME futures were hedge accounted for the period-ended 2020 and 2019.

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

7.2 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 Category 1 London Metal Exchange brokers. Hulamin will only enter into currency hedges with the four major South African banks.

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).

7.3 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

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

	2020 R'000	2019 R'000
Revolving working capital facility	**1 000 000**	1 000 000
General short-term facility	**500 000**	500 000
Term loan	**–**	54 000
Current facilities	**1 500 000**	1 554 000
Non-current facilities	**–**	–
Total borrowing facilities	**1 500 000**	1 554 000
Less: Indirect facilities allocated to letters of credit	**(300 000)**	(300 000)
	1 200 000	1 254 000
Utilised by:		
Non-current borrowings (note 3.1)	**–**	–
Current borrowings (note 3.2)	**(789 053)**	(352 083)
Cash and cash equivalents (note 4.1)	**38 045**	126 207
Committed undrawn direct facilities and cash	**448 992**	1 028 124

In the prior period-end, current facilities included a term loan of R54 million used to fund the upgrade of the aluminium recycling plant in 2015. The loan facility was repayable quarterly in arrears starting on 31 March 2016 and was fully repaid at 31 December 2020.

In addition to the term loan, Hulamin's borrowing facilities include a general short-term facility of R500 million (2019: R500 million), of which R300 million has been allocated to a letter of credit facility and revolving working capital facilities of R1 000 million (2019: R1 000 million).

Financial liabilities with maturity dates within the next 12 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	Greater than four years R'000	Total R'000
2019					
Non-current borrowings	–	–	–	–	–
Current borrowings	383 419	–	–	–	383 419
Lease liabilities	13 176	19 272	11 563	6 666	50 677
Trade and other payables (excluding employee benefit payables)	874 015	–	–	–	874 015
Derivative financial liabilities	44 026	–	–	–	44 026
	1 314 636	19 272	11 563	6 666	1 352 137
2020					
Non-current borrowings	**–**	**–**	**–**	**–**	**–**
Current borrowings*	**789 053**	**–**	**–**	**–**	**789 053**
Trade and other payables (excluding employee benefit payables)	**989 171**	**–**	**–**	**–**	**989 171**
Lease liabilities	**20 514**	**28 526**	**4 282**	**54 240**	**107 562**
Derivative financial liabilities	**–**	**–**	**–**	**–**	**–**
	1 798 738	**28 526**	**4 282**	**54 240**	**1 885 786**

* *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*

Included in the above amounts payable within a period of less than one year, are financial liabilities in the amount of R789 million (2019: R1 024 million) which are payable within a period of three months, including trade payables in the amount of R877 million (2019: R770 million). Trade receivables amounting to R893 million (2019: R688 million) are recoverable within a period of three months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

7. Financial risk management: measures to mitigate risk continued

7.4 Capital risk management

For the purpose of the group's capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to maximise the shareholder value and to safeguard its ability to continue as a going-concern 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	2020 R'000	2019 R'000
Non-current borrowings	3.1	–	–
Current borrowings	3.2	**789 053**	352 083
Lease liabilities (current and non-current)		**67 764**	46 493
Total borrowings		**856 817**	398 576
Less: Cash and cash equivalents	4.1	**(38 045)**	(126 207)
Net debt		**818 772**	272 369
Total equity		**2 368 447**	2 570 308
Total capital		**3 187 219**	2 842 677
Gearing ratio percentage (net debt over total capital)		**25.7**	9.6

In order to achieve this overall objective, the group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The gearing ratio increased to 25.7% (2019: 9.6%) at 31 December 2020. Both net debt and gross assets increased following the recognition of right-of-use assets and lease liabilities on 1 January 2019.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

(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 2019	Rights exercised in 2020	Rights forfeited/ lapsed in 2020	Number of rights at December 2020	Rights time constrained 2020
R6.90	R2.73	24 April 2014	2 505 966	–	**1 152 531**	**1 353 435**	–
R6.50	R2.59	26 April 2017	7 333 187	–	**7 333 187**	–	–
			9 839 153	–	**8 485 718**	**1 353 435**	–

The volume-weighted average share price during the year for Hulamin shares was R1.32 (2019: R2.86).

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	2014
Share price at grant date	(R)	6.50	6.90
Risk-free interest rate	(%)	7.74	8.17
Expected volatility	(%)	42.09	42.22
Expected dividends	(%)	0.55	0.05
Expected remaining life	(months)	–	4
Contractual life	(months)	84	84

Vesting conditions:

- Time — Three years
- Non-market — An increase in Hulamin Limited headline earnings per ordinary share as determined by the Remuneration Committee
- Market — None

(ii) Hulamin Limited Long-Term Incentive Scheme 2007 (without performance conditions)

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

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2019	Conditional awards exercised in 2020	Rights forfeited/ lapsed in 2020	Number of conditional awards at December 2020	Conditional time constrained
Nil	R 6.44	15 May 2017	78 577	**78 577**	–	–	–
			78 577	**78 577**	–	–	–

The volume-weighted average share price during the year for Hulamin shares was R1.32 (2019: R2.86).

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

		2017
Share price at grant date	(R)	6.55
Risk-free interest rate	(%)	7.12
Expected volatility	(%)	42.09
Expected dividends	(%)	0.55
Expected remaining life	(months)	–
Contractual life	(months)	36

Vesting conditions:

- Time — Three years
- Non-market — None
- Market — None

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

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

(iii) Equity-settled 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 three years from	Number of conditional awards at December 2019	Conditional awards granted in 2020	Conditional awards forfeited/ lapsed in 2020	Number of conditional awards at January 2019	Conditional time constrained
Nil	3.93	26 July 2018	1 603 547	–	332 649	1 270 898	1 270 898
Nil	3.70	15 May 2019	1 602 082	–	72 623	1 529 459	1 529 459
			3 205 629	–	405 272	2 800 357	2 800 357

The volume-weighted average share price during the year for Hulamin shares was R1.32 (2019: R2.86).

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

		2019	2020
Share price at grant date	(R)	4.34	4.11
Risk-free interest rate	(%)	7.34	7.08
Expected volatility	(%)	N/A	N/A
Expected dividends	(%)	3.27	3.49
Expected remaining life	(months)	7	16
Contractual life	(months)	36	36

- Time Three years
- Non-market None
- Market None

(iv) Equity-settled Conditional Share Plan (Performance shares)

Under the Equity-settled Conditional Share Plan (Performance shares), participating employees are granted conditional awards. These awards are converted into shares in Hulamin on the achievement of Return on Capital Employed (ROCE) and Total Shareholders' Return (TSR) performance conditions over a three-year period.

Grant price	Estimated weighted average fair value per right	Expiring three years from	Number of conditional awards at December 2019	Conditional awards granted in 2020	Conditional awards forfeited/ lapsed in 2020	Number of conditional awards at January 2019	Conditional time constrained
Nil	3.28	26 July 2018	1 932 170	–	427 195	1 504 975	1 504 975
Nil	3.22	15 May 2019	1 240 045	–	71 041	1 169 004	1 169 004
Nil		20 August 2020	–	5 494 877	141 108	5 353 769	5 353 769
			3 172 215	5 494 877	639 344	8 027 748	8 027 748

The volume-weighted average share price during the year for Hulamin shares was R1.32 (2019: R2.86).

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

		2018	2019	2020
Share price at grant date	(R)	4.34	4.11	0.99
Risk-free interest rate	(%)	7.34	7.08	4.08
Expected volatility	(%)	44.34	41.63	57.93
Expected dividends	(%)	3.27	3.49	5.13
Expected remaining life	(months)	7	16	32
Contractual life	(months)	36	36	36

Vesting conditions:

- Time Three years
- Non-market ROCE weighted 67%
- Market TSR weighted 33%

(v) Equity-settled Conditional Share Plan (Retention shares)

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 three years from	Number of conditional awards at December 2019	Conditional awards granted in 2020	Conditional awards forfeited/ lapsed in 2020	Number of conditional at January 2019	Conditional time constrained
Nil	3.93	26 July 2018	602 164	–	248 921	353 243	353 243
			602 164	–	248 921	353 243	353 243

The volume-weighted average share price during the year for Hulamin shares was R1.32 (2019: R2.86).

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	(R)	4.34
Risk-free interest rate	(%)	7.34
Expected volatility	(%)	N/A
Expected dividends	(%)	3.27
Expected remaining life	(months)	7
Contractual life	(months)	36

Vesting conditions:

- Time Three years
- Non-market None
- Market None

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

8. Benefits and remuneration: our investment in our people continued

8.1 Share-based payments continued

(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, through Imbewu SPV 14 Proprietary Limited , 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. 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 considers 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.

On the 17 December 2020, Hulamin concluded an extension to the BEE Transaction detailed above. In terms of the BEE Extension Transaction, the BEE Transaction was extended for a further five years and two months. In terms of IFRS 2, Hulamin treated the BEE Extension Transaction as a modification of the existing BEE Transaction and the valuation of the BEE Extension Transaction reflects the market observables at the modification date as noted below. The determined fair value of the BEE Extension Transaction at grant date was R10 100 000 and was expensed in full in the 2020 financial year.

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

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Expected option life	Five years	Five years and two months
Lock-in period	Three years	N/A
Risk-free rate	8.58%	5%
Expected volatility	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	62 months
Contractual life	60 months	62 months

Vesting conditions:

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

(ii) 2015 Hulamin Employee 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 considers 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.

On 17 December 2020, Hulamin concluded an extension to the BEE Transaction detailed above. In terms of the BEE Extension Transaction, the BEE Transaction was extended for a further five years and two months for the 26 755 733 A2 ordinary shares and an additional 4 721 600 A3 ordinary shares were authorised. These shares were issued to the ESOP Trust in January 2021. In terms of IFRS2, Hulamin treated the BEE Extension Transaction as a modification of the existing BEE Transaction and the valuation of the BEE Extension Transaction reflects the market observables at the modification date as noted below. 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 the stipulated Patterson Bands.

On 22 December 2020 and in terms of the BEE Transaction, the 4 721 600 A1 ordinary shares vested as ordinary issued shares of Hulamin. At 31 December 2020, these shares are held by the ESOP Trust pending distribution and have been treated as treasury shares. This resulted in a release of R25 900 000 from the group employee share-based payment reserve into retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

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

	BEE Transaction	BEE Extension Transaction
Share price at grant date	R5.49	R1.76
Expected option life	8.58%	5%
Lock-in period	43.15%	54.90%
Expected dividends	0.50%	Nil
Expected remaining life	0 months	62 months
Contractual life	60 months	62 months

Vesting conditions:

- Time Five years and two months
- Non-market None
- Market Share price

(iii) Isizinda Aluminium Proprietary Limited (Isizinda)
Bingelela Capital Proprietary Limited (Bingelela)

On 1 July 2015, Isizinda acquired the Bayside casthouse business for a purchase consideration of R100.2 million funded by a loan from Hulamin to Isizinda. At the time, Bingelela had a 60% interest and Hulamin had a 40% interest in Isizinda. The interest held by Bingelela is accounted for as a grant of an equity option. The fair value of the option at the grant date was R27.2 million, which was determined on an indirect basis with reference to the intrinsic value of the business. This was determined on an indirect basis with reference to the bargain purchase gain (R51.9 million) and the contributed capital of R4 million from the outside shareholder. The time value component was deemed to be nominal.

During the 2019 financial year, Bingelela and Hulamin Operations agreed on a restructure of Isizinda whereby, *inter alia*, payments totalling R65 million were agreed to be made to Bingelela. This constitutes a settlement of the equity-settled share-based payment. The fair value of Bingelela's 60% interest in Isizinda was determined to be Rnil immediately before settlement.

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 2019, Bingelela owned 117 472 shares (58.74%) in Isizinda and the Trust owned 5 056 shares (2.53%). The fair values of these share-based payments take into account an exercise price of Rnil.

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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(a) Accounting policies and significant judgements continued

(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.

(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 R14.4 million (2019: R14.8 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 2020. The next valuation will be performed at 31 December 2021.

	2020 R'000	2019 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Fair value of plan assets (represents amounts held in employer surplus account)	**80 325**	113 239
Present value of funded obligations	**(17 241)**	(17 679)
Pension fund asset at end of year	**63 084**	95 560
(ii) Movement in the defined benefit obligation is as follows:		
Defined benefit obligation at beginning of year	**17 679**	16 297
Current service cost	**2 357**	2 507
Interest cost	**1 971**	1 934
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 069)**	(1 924)
Actuarial gains arising from experience adjustments	**(890)**	(356)
Benefits paid	**(1 807)**	(779)
Defined benefit obligation at end of year	**17 241**	17 679

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

	2020 R'000	2019 R'000
(iii) Movement in the fair value of plan assets (amounts held in employer surplus account) is as follows:		
Fair value of plan assets at beginning of year	**113 239**	150 157
Interest income	**9 618**	13 205
Remeasurements:		
Losses on plan assets, excluding amounts included in interest income	**(2 806)**	(1 325)
Contribution funded from employer reserves	**(37 919)**	(48 019)
Benefits paid	**(1 807)**	(779)
Fair value of plan assets at end of year	**80 325**	113 239
The fair value of plan assets comprises the employer surplus account which comprises:		
Quoted market price in an active market:		
Market risk portfolio	**57 798**	59 814
Conservative portfolio	**434**	354
Money market and cash	**22 093**	53 071
Other assets:		
Loan to employer company (note 3.2)	**–**	–
	80 325	113 239
Balances in respect of the retirement benefit equalisation value included in the fair value of plan assets at end of year	**58 287**	60 237
(iv) The amounts recognised in the statement of profit or loss are as follows:		
Defined benefit plan (retirement benefit equalisation value)	**(5 290)**	(8 764)
Current service cost	**2 357**	2 507
Net interest income	**(7 647)**	(11 271)
Defined contribution plan	**39 726**	53 367
Employer contribution from reserves (utilisation of employer surplus account)	**37 919**	48 019
Employer cash contribution	**1 807**	5 348
	34 436	44 603
(v) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(2 069)**	(1 924)
Actuarial gains arising from experience adjustments	**(890)**	(356)
Gains on plan assets, excluding amounts included in interest income	**2 806**	1 325
	(153)	(955)
The average duration of the benefit obligation at 31 December 2020 is 18.0 years (2019: 19.0 years).		
(vi) Principal actuarial assumptions at the end of the reporting period are as follows:		
Discount rate (%)	**11.20**	10.30
Future inflation rate (%)	**5.70**	5.50
Sensitivity of discount rate:		
1% increase in discount rate – effect on current service cost	**(295)**	368)
1% increase in discount rate – effect on the obligation	**(2 514)**	(2 761)
1% decrease in discount rate – effect on current service cost	**358**	451
1% decrease in discount rate – effect on the obligation	**3 044**	3 378

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(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.

	2020 R'000	2019 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**175 644**	195 739
Liability in the balance sheet	**175 644**	195 739
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**195 739**	208 915
Total expense accrued	**15 082**	23 757
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(11 509)**	(18 151)
Actuarial gains arising from experience adjustments	**(9 655)**	(6 674)
Benefit payments	**(14 013)**	(12 108)
Balance at end of year	**175 644**	195 739
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**19 583**	21 531
Current service costs	**1 464**	2 226
	21 047	23 757
(iv) Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(11 509)**	(18 151)
Actuarial gains arising from experience adjustments	**(9 655)**	(6 674)
	(21 164)	(24 825)

(iv) Principal risks

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

Financial assumptions:
- Discount rate, which is set having regard to the market yield on suitable government bonds considering 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, considering 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:

		2020 R'000	2019 R'000
Discount rate	(%)	**11.20**	10.30
Future company subsidy rate – in service	(%)	**5.70**	5.50
Future company medical subsidy increase – pensioners	(%)	**7.45**	7.25
Sensitivity of future company subsidy rate:			
1% increase in future company subsidy rate – effect on the aggregate of the service and interest costs		**2 177**	2 526
1% increase in future company subsidy rate – effect on the obligation		**17 563**	21 528
1% decrease in future company subsidy rate – effect on the aggregate of the service and interest costs		**(1 872)**	(2 145)
1% decrease in future company subsidy rate – effect on the obligation		**(15 173)**	(18 383)
Sensitivity of discount rate:			
1% increase in discount rate – effect on current service cost		**(242)**	(343)
1% increase in discount rate – effect on the obligation		**(14 527)**	(17 704)
1% decrease in discount rate – effect on current service cost		**244**	348
1% decrease in discount rate – effect on the obligation		**17 024**	21 005

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

The average duration of the benefit obligation at 31 December 2020 is 10.0 years (2019: 10.9 years). This number is analysed as follows:

- Active members 16.8 years (2019: 17.3 years)
- Retired members 8.2 years (2019: 8.7 years)

	2020 R'000	2019 R'000
Estimated benefits payable by the group in the next financial year	**14 356**	14 152

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

8. Benefits and remuneration: our investment in our people continued

8.2 Retirement benefits continued

(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.

	2020 R'000	2019 R'000
(i) Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**27 255**	29 268
Liability in the balance sheet	**27 255**	29 268
(ii) The liability can be reconciled as follows:		
Balance at beginning of year	**29 268**	42 823
Total expense accrued	**4 881**	7 206
Remeasurements:	**(4 270)**	(10 653)
Actuarial gains arising from changes in financial assumptions	**(1 874)**	(3 377)
Actuarial (gains)/losses arising from experience adjustments	**(2 396)**	(3 753)
Curtailment (gain)/loss	**–**	(3 523)
Gratuity payments	**(2 624)**	(10 108)
Balance at end of year	**27 255**	29 268
(iii) Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**3 111**	4 666
Service costs	**1 770**	2 540
	4 881	7 206
(iv) Amounts recognised in other comprehensive income are as follows:		
Actuarial gains arising from changes in financial assumptions	**(1 874)**	(3 377)
Actuarial (gains)/losses arising from experience adjustments	**(2 396)**	(3 753)
Curtailment (gain)/loss	**–**	(3 523)
	(4 270)	(10 653)

(iv) Principal risks
Through its retirement gratuity benefit, the group is exposed to several risks, principally changes in:

Financial assumptions:

- Discount rate, which is set having regard to the market yield on suitable government bonds considering 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, considering 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

Changes in the principal financial assumptions are detailed below.

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

	2020 R'000	2019 R'000
Discount rate (%)	**11.20**	10.30
Future salary inflation rate (%)	**5.70**	5.50
Sensitivity of future salary inflation rate:		
1% increase in future salary inflation rate – effect on the aggregate of the service and interest costs	**549**	599
1% increase in future salary inflation rate – effect on the obligation	**2 864**	3 190
1% decrease in future salary inflation rate – effect on the aggregate of the service and interest costs	**(477)**	(518)
1% decrease in future salary inflation rate – effect on the obligation	**(2 523)**	(2 799)

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 2020 is 10.5 years (2019: 10.9 years).

Estimated retirement gratuities, payable by the group during the next financial year are R2 393 000 (2019: R1 671 000).

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 2020 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related payments[1] Rand	Bonus payments[8] Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Sub-total Rand	Value of options granted[2] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive											
TP Leeuw	572 570	444 270	–	–	–	–	–	1 016 840	–	1 016 840	–
VN Khumalo[3]	261 140	198 000	–	–	–	–	–	459 140	–	459 140	–
NN Matyumza[4]	194 886	97 560	–	–	–	–	–	292 446	–	292 446	–
SP Ngwenya	222 030	150 430	–	–	–	–	–	372 460	–	372 460	–
GHM Watson	723 231	495 696	–	–	–	–	–	1 218 927	–	1 218 927	–
N Maharajh	347 580	222 340	–	–	–	–	–	569 920	–	569 920	–
CA Boles	311 276	217 800	–	–	–	–	–	529 076	–	529 076	–
B Mehlomakulu	300 006	213 440	–	–	–	–	–	513 446	–	513 446	–
RL Larson	570 350	404 868	–	–	–	–	–	975 218	–	975 218	–
	3 503 069	2 444 404	–	–	–	–	–	5 947 473	–	5 947 473	–
Executive											
RG Jacob	–	–	5 139 420	–	211 320	120 303	641 603	6 112 645	633 862	6 746 507	–
AP Krull[5]	–	–	3 159 820	–		128 329	394 290	3 682 439	–	3 682 439	–
LM Farquharson[6]	–	–	421 000	–	59 727	31 183	52 500	564 410	177 712	742 122	–
MZ Mkhize[7]	–	–	589 518	7 838 779		23 653	73 552	8 525 503	–	8 525 503	–
	–	–	9 309 758	7 838 779	271 047	303 468	1 161 945	18 884 997	811 574	19 696 571	–
	3 503 069	2 444 404	9 309 758	7 838 779	271 047	303 468	1 161 945	24 832 470	811 574	25 644 044	–

1 *Severance costs include notice pay, leave pay and gratuity on retirement*
2 *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, "Share-based Payments"*
3 *Directors' fees due to a shareholder nominee on the Hulamin Board are paid to the employer organisation and not to the nominee.*
4 *NNA Matyumza resigned as director of Hulamin Limited with effect from 30 July 2020*
5 *AP Krull resigned as CFO and from the Hulamin Board with effect from 31 October 2020*
6 *LM Farquharson served as Acting CFO for the period 1 November 2020 to 31 March 2021*
7 *MZ Mkhize resigned as MD of Rolled Products and from the Hulamin Board with effect from 29 February 2020*
8 *The bonus payments reflected above are in relation to the 2020 year, paid out in 2021*

Executive Committee members' remuneration (excluding acting executive committee members) during the 2020 financial year[1]

	Cash package Rand	Bonus and performance-related payments[2] Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Sub-total Rand	Value of options granted Rand	Total Rand	Gains on exercise of share options Rand
Total	9 936 412	317 704	428 261	1 238 889	11 921 266	862 463	12 783 729	83 292

1 *Excluding executive directors*
2 *The bonus payments reflected above are in relation to the 2020 year, paid in 2021*

(ii) Directors' and prescribed officer's remuneration during the 2019 financial year

Director	Retainer fees Rand	Attendance fees Rand	Cash package Rand	Severance and related payments[1] Rand	Bonus payments[8] Rand	Medical aid contributions Rand	Retirement fund contributions Rand	Sub-total Rand	Value of options granted[2] Rand	Total Rand	Gains on exercise of share options Rand
Non-executive											
TP Leeuw	556 662	270 290	–	–	–	–	–	826 952	–	826 952	–
VN Khumalo[3]	253 883	153 360	–	–	–	–	–	407 243	–	407 243	–
NN A Matyumza	324 809	145 210	–	–	–	–	–	470 019	–	470 019	–
SP Ngwenya	215 858	99 890	–	–	–	–	–	315 748	–	315 748	–
PH Staude[4]	124 350	26 030	–	–	–	–	–	150 380	–	150 380	–
GHM Watson	612 164	274 945	–	–	–	–	–	887 109	–	887 109	–
N Maharajh	337 920	152 830	–	–	–	–	–	490 750	–	490 750	–
CA Boles	286 784	143 960	–	–	–	–	–	430 744	–	430 744	–
B Mehlomakulu	262 114	126 450	–	–	–	–	–	388 564	–	388 564	–
RL Larson	500 807	229 918	–	–	–	–	–	730 725	–	730 725	–
	3 475 351	1 622 883	–	–	–	–	–	5 098 234	–	5 098 236	–
Executive											
RG Jacob	–	–	–	5 139 420	–	152 284	641 603	5 933 306	–	5 933 306	–
AP Krull	–	–	–	3 791 784	–	147 966	473 148	4 412 898	–	4 412 898	–
MZ Mkhize	–	–	–	3 537 108	–	163 878	441 314	4 142 300	–	4 142 300	–
	–	–	–	12 468 312	–	464 128	1 556 065	14 488 504	–	14 488 504	–
Prescribed officer											
HT Molale[5]											
DR Weisz[6]	–	–	–	1 697 185	3 117 120	108 253	211 667	5 134 225	–	5 134 225	–
	–	–	–	1 697 185	3 117 120	108 253	211 667	5 134 225	–	5 134 225	–
	–	3 475 351	1 622 883	14 165 497	3 117 120	572 381	1 767 732	24 720 963	–	24 720 963	–

1 *Severance costs include notice pay, leave pay and gratuity on retirement*
2 *The value of the equity-settled options granted is the annual expense determined in accordance with IFRS 2, "Share-based Payments". No awards were made to the executives in 2019*
3 *Directors' fees due to a shareholder nominee on the Hulamin Board are paid to the employer organisation and not to the nominee*
4 *PH Staude resigned from the board with effect from 17 June 2019*
5 *HT Molale resigned from Hulamin with effect 31 October 2019*
6 *DR Weisz served as managing director of Hulamin Extrusions to 4 July 2019, when the position was made redundant*

Executive Committee members' remuneration (excluding acting executive committee members) during the 2019 financial year[1]

	Cash package Rand	Bonus and performance-related payments[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	17 225 178	4 513 278	770 413	2 094 501	24 603 370	–	24 603 370	305 224

1 *Excluding executive directors*
2 *Severance costs include notice pay, leave pay and gratuity on retirement.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

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 officers in share-based instruments

(i) Hulamin Limited Share Appreciation Right Scheme 2007

	Number of rights granted in 2014	Number of rights granted in 2017	Number of rights at December in 2019	Number of rights exercised in 2020	Number of rights lapsed in 2020	Number of rights at December in 2020	Rights time constrained
Executive directors							
RG Jacob	633 100	604 005	1 237 105	–	**604 005**	**633 100**	**604 005**
AP Krull	–	327 554	327 554	–	**327 554**	**–**	**–**
MZ Mkhize	201 780	304 817	506 597	–	**506 597**	**–**	**–**
	834 880	1 236 376	2 071 256	–	**1 438 156**	**633 100**	**604 005**
Grant price	R6.90	R6.50					
Grant date	24 Apr 2014	26 Apr 2017					

(ii) Employee Conditional Share Plan (Bonus shares)

	Number conditional awards granted in 2018	Number of conditional awards at December in 2019	Number of conditional awards granted in 2020	Number of conditional awards lapsed in 2020	Number of conditional awards at December in 2020	Conditional awards time constrained
Executive directors						
RG Jacob	117 649	117 649	–	–	**117 649**	**117 649**
L M Farquharson (Acting CFO)	25 183	25 183	–	–	**25 183**	**25 183**
AP Krull	78 538	78 538	–	**78 538**	**–**	**–**
MZ Mkhize	57 682	57 682	–	**57 682**	**–**	**–**
	279 052	279 052	–	**136 220**	**142 832**	**142 832**
Grant price	R 6.22					
Grant date	26 Jul 2018					

(iii) Employee Conditional Share Plan (Performance shares)

	Number conditional awards granted in 2018	Number of conditional awards at December in 2019	Number of conditional awards exercised in 2020	Number of conditional awards granted in 2020	Number of conditional awards lapsed in 2020	Number of conditional awards at December in 2020	Conditional awards time constrained
Executive directors							
RG Jacob	321 279	321 279	–	**932 150**	**–**	**1 253 429**	**1 253 429**
L M Farquharson (Acting CFO)	65 942	65 942	–	**261 341**	**–**	**327 283**	**327 283**
AP Krull	199 660	199 660	–	**–**	**199 660**	**–**	**–**
MZ Mkhize	152 571	152 571	–	**–**	**152 571**	**–**	**–**
	739 452	739 452	–	**1 193 491**	**352 231**	**1 580 712**	**1 580 712**
Prescribed Officer							
DR Weisz	125 183	–	–	**125 183**	**125 183**	**–**	**–**
	125 183	–	–	**125 183**	**125 183**	**–**	**–**
Grant price	R 6.22			R 0.99			
Grant date	26 Jul 2018			20 Aug 2020			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

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

The aggregate holdings as at 31 December 2020 of those directors of the company holding issued ordinary shares of the company are detailed below:

	Direct beneficial shares	Indirect beneficial shares held by associates	Share total
As at 31 December 2020			
Executive			
RG Jacob	**928 432**	**–**	**928 432**
	928 432	**–**	**928 432**
Non-executive			
CA Boles	**60 000**	**–**	**60 000**
GHM Watson	**27 763**	**–**	**27 763**
	87 763	**–**	**87 763**
Total	**1 016 195**	**–**	**1 016 195**
As at 31 December 2019			
Executive			
RG Jacob	928 432	–	928 432
MZ Mkhize	84 554	–	84 554
	1 012 986	–	1 012 986
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	1 192 359	–	1 192 359

* *PH Staude resigned during the previous financial year and has not been replaced*

There has been no change in the directors' and prescribed officers' shareholding between the 31 December 2020 and 31 March 2021.

9. Other: detailed disclosure requirements

9.1 Net finance costs

	2020 R'000	2019 R'000
Interest expense	**45 965**	56 513
Non-current borrowings interest	**2 826**	8 718
Current borrowings interest	**44 405**	49 093
Interest on lease liabilities	**6 324**	4 947
Interest capitalised	**(7 590)**	(6 245)
Interest income	**(9 071)**	(8 021)
Net finance costs	**36 894**	48 492

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

9. Other: detailed disclosure requirements continued

9.2 Deferred tax

Deferred tax is provided on temporary differences arising between tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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 relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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.

	2020 R'000	2019 R'000
Deferred tax asset		
At beginning of year	**93 130**	17 060
Deconsolidation of Isizinda (loss of control)	**8 953**	–
Tax (charged)/credited directly to equity	**–**	–
Statement of profit or loss:		
Current year credit/(charge)	**(89 693)**	(129)
Deferred tax charge in other comprehensive income	**3 059**	(557)
Balance transferred from deferred tax liabilities	**–**	76 756
At end of year	**15 449**	93 130
Comprising:		
Fixed assets	**–**	10 679
Retirement benefit obligations and other provisions	**14 965**	31 644
Provisions and leave accrual	**–**	28 136
Lease liabilities	**–**	12 520
Right-of-use asset	**–**	(4 306)
Share schemes	**–**	1 582
Assessed loss	**–**	–
Other	**484**	12 875
	15 449	93 130
Deferred tax asset to be recovered after more than 12 months	**14 965**	35 486
Deferred tax asset to be recovered within 12 months	**484**	57 644
	15 449	93 130

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED
for the year ended 31 December 2020

For the year ended 31 December 2020, the group had both assessed losses and deductible temporary differences for which a deferred tax asset was not recognised as there was significant uncertainty that there would be sufficient taxable temporary differences and sufficient taxable profits in future to absorb the tax asset.

Income tax expense is recognised based on management's estimate of the weighted average effective annual income tax rate expected for the full financial year. During the 31 December 2020 period, based on an assessment of future cash flows and taxable profits, management is of the view that there remains insufficient future taxable profits and taxable temporary differences to utilise the deferred tax asset and, as a result, the group has not recognised any deferred tax assets and reversed the previously recognised deferred tax asset relating to assessed losses in 2019 from Hulamin Operations of R76 million.

The group's unrecognised assessed loss as at 31 December 2020 is R272 million.

	2020 R'000	2019 R'000
Deferred tax liability		
At beginning of year	**16 990**	221 060
Deconsolidation of Isizinda (loss of control)	**(15 280)**	–
Tax (charged)/credited directly to equity	**–**	(1 753)
Statement of profit or loss:		
Current year credit/(charge)	**360**	(297 263)
Prior year credit/(charge)	**–**	3 160
Deferred tax charge in other comprehensive income	**–**	15 030
Transfer of balance to deferred tax asset	**–**	76 756
At end of year	**2 070**	16 990
Comprising:		
Accelerated tax depreciation	**–**	18 756
Provisions and leave pay accruals	**2 070**	(1 766)
Defined benefit fund	**–**	–
Share schemes	**–**	–
Hedging reserve	**–**	–
Derivative instruments – not designated as hedging instruments	**–**	–
	2 070	16 990
Deferred tax liability to be settled within 12 months	**2 070**	16 960
	2 070	16 960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

9. 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.

An income tax asset arises as a result of provisional tax payments made during the year being in excess of the current tax charges. The income tax asset in the current year includes overpayments of tax made both in the current year and 2019.

		2020 R'000	2019 R'000
South African normal taxation:			
Current			
Current year charge		**29 962**	36 706
Prior year under/(over) provision		**195**	(8 551)
Deferred			
Current year (credit)/charge		**89 333**	(297 135)
Prior year under provision		**–**	3 160
		119 490	(265 820)
Foreign capital gains tax		**–**	465
		119 490	(265 355)
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:			
Special tax allowances	%	**3.3**	0.3
Prior year (over)/under provision	%	**(0.2)**	0.4
Expenses not deductible for tax purposes	%	**(13.1)**	(0.1)
Income not taxable for tax purposes	%	**–**	0.1
Capital gains tax	%	**(4.2)**	–
Other	%	**(0.2)**	–
Prior year deferred tax asset reversed	%	**(76.5)**	–
Deferred tax asset not recognised	%	**(44.8)**	(10.6)
Effective rate of taxation		**(107.7)**	18.1

9.4 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:

	2020 R'000	2019 R'000
Loan from pension fund (refer note 3.2)	**–**	–
Interest paid to pension fund	**–**	388
Lease rental income received from joint venture	**1 201**	–
Utilities and services charge received from joint venture	**11 769**	–
Loan to Isizinda	**75 103**	–
Impairment of loan to Isizinda	**3 724**	–
Interest income from Isizinda	**5 791**	–

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

for the year ended 31 December 2020

9.5 Financial assets and financial liabilities

The group holds the following financial instruments:

	Notes	Financial instruments at fair value through profit or loss R'000	Financial instruments at amortised cost R'000	Derivatives applied under hedge accounting R'000	Total R'000
2020					
Financial assets – current					
Trade and other receivables	4.3(b)	**1 097 335**	**–**	**–**	**1 097 335**
Derivative financial assets	7.1(d)	**–**	**5 313**	**2 394**	**7 708**
Cash and cash equivalents	4.1	**38 045**	**–**	**–**	**38 045**
		1 135 380	**5 313**	**2 394**	**1 143 088**
Financial liabilities – current					
Trade and other payables	4.4	**1 114 788**	**–**	**–**	**1 114 788**
Borrowings	3.2	**789 053**	**–**	**–**	**789 053**
Lease liabilities	3.3	**20 514**	**–**	**–**	**20 514**
Derivative financial instruments	7.1(d)	**–**	**–**	**–**	**–**
		1 924 355	**–**	**–**	**1 924 355**
Financial liabilities – non-current					
Borrowings	3.1	**–**	**–**	**–**	**–**
Lease liabilities	3.3	**47 251**	**–**	**–**	**47 251**
		47 251	**–**	**–**	**47 251**
2019					
Financial assets – current					
Trade and other receivables	4.3(b)	804 415	–	–	804 415
Derivative financial assets	7.1(d)	–	24 610	64 050	88 661
Cash and cash equivalents	4.1	126 207	–	–	126 207
		930 622	24 610	64 050	1 019 283
Financial liabilities – current					
Trade and other payables	4.4	1 005 121	–	–	1 005 121
Borrowings	3.2	352 083	–	–	352 083
Lease liabilities	3.3	12 088	–	–	12 088
Derivative financial instruments	7.1(d)	–	18 513	25 513	44 026
		1 369 292	18 513	25 513	1 413 318
Financial liabilities – non-current					
Borrowings	3.3	–	–	–	–
Lease liabilities	3.1	34 405	–	–	34 405
		34 405	–	–	34 405

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.

10. Adoption of new and amended accounting standards

Several new or amended standards became applicable for the year ended 31 December 2020 as described in note 1.2 (a). The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

COMPANY STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Notes	2020 R'000	2019 R'000
ASSETS			
Non-current assets			
Investment in subsidiaries and joint venture	4.1	**2 600 296**	2 550 367
Deferred tax asset	6.1	**14 965**	16 375
		2 615 261	2 566 742
Current assets			
Trade and other receivables	6.4	**24 360**	–
Income tax asset		**1 661**	1 870
		26 021	1 870
Total assets		**2 641 282**	2 568 612
EQUITY			
Stated capital	3.1	**1 877 597**	1 877 597
BEE reserve		**30 239**	20 000
Employee share-based payment reserve		**37 386**	63 308
Retained earnings		**642 503**	549 066
Total equity		**2 587 725**	2 509 971
LIABILITIES			
Non-current liabilities			
Post-retirement medical aid benefits	5.1	**53 446**	58 479
		53 446	58 479
Current liabilities			
Trade and other payables		**111**	162
		111	162
Total liabilities		**53 557**	58 641
Total equity and liabilities		**2 641 282**	2 568 612

COMPANY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
Revenue from contracts with customers	2.1.1	**9 353**	15 961
Interest income	2.1.2	**103 289**	118 375
Administrative and other expenses	2.2	**(20 271)**	(22 180)
Net impairment losses on investments in subsidiaries	4.1	**–**	(859 392)
Operating profit/(loss)		**92 371**	(747 236)
Taxation	6.2	**(27 772)**	(31 846)
Net profit/(loss) for the year attributable to equity holders of the company		**64 599**	(779 082)
Other comprehensive income for the year			
Items that will not be reclassified to profit or loss:	5.1	**2 916**	1 433
Remeasurement of post-retirement medical obligation	5.1	**4 050**	1 992
Income tax effect		**(1 134)**	(559)
Total comprehensive income/(loss) for the year attributable to equity holders of company		**67 515**	(777 649)

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	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 2018	1 877 597	57 914	20 000	1 384 917	3 340 428
Net loss for the year	–	–	–	(779 082)	(779 082)
Other total comprehensive income for the year after tax	–	–	–	1 433	1 433
Value of employee services of subsidiaries-net of forfeiture	–	5 699	–	–	5 699
Settlement of employee share incentives	–	(305)	–	–	(305)
Dividend paid	–	–	–	(58 202)	(58 202)
Balance at 31 December 2019	1 877 597	63 308	20 000	549 066	2 509 971
Net profit for the year	**–**	**–**	**–**	**64 599**	**64 599**
Other total comprehensive income for the year after tax	**–**	**–**	**–**	**2 916**	**2 916**
Value of employee services of subsidiaries-net of forfeiture	**–**	**–**	**–**	**–**	**–**
Settlement of employee share incentives	**–**	**–**	**10 239**	**–**	**10 239**
Release of reserve upon vesting of A1 Ordinary Shares		**(25 922)**		**25 922**	**–**
Dividend paid	**–**	**–**	**–**	**–**	**–**
Balance at 31 December 2020	**1 877 597**	**37 386**	**30 239**	**642 503**	**2 587 725**

COMPANY CASH FLOW STATEMENT

for the year ended 31 December 2020

	Notes	2020 R'000	2019 R'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash-generated from operations	A	**73 597**	123 271
Income taxes paid		**(28 963)**	(33 792)
Prior year income tax refund		**1 699**	
Post-retirement medical aid benefits paid		**(6 643)**	(6 470)
Net cash inflow from operating activities		**39 690**	83 009
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in investments in subsidiaries	4.1	**(39 690)**	(24 502)
Cash flows before financing activities ("free cash flow")		**(39 690)**	(24 502)
CASH FLOWS FROM FINANCING ACTIVITIES			
Settlement of employee share incentives schemes		**–**	(305)
Dividends paid		**–**	(58 202)
Net cash inflow/(outflow) from financing activities		**–**	(58 507)
Net (decrease)/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/(loss)		**92 371**	(747 236)
Adjusted for:			
Post-retirement medical aid actual expense	5.1	**5 660**	6 038
Value of employee services received under share schemes		**–**	5 699
Net impairment losses on investments in subsidiaries		**–**	859 392
Cash-generated before working capital changes		**98 031**	123 893
Changes in working capital	B	**(24 434)**	(622)
Cash-generated from operations		**73 597**	123 271
B: CHANGES IN WORKING CAPITAL			
Increase in trade and other receivables		**(24 385)**	–
Decrease in trade and other payables		**(49)**	(622)
		(24 434)	(622)

NOTES TO THE COMPANY FINANCIAL STATEMENTS
for the year ended 31 December 2020

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 separate 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 (refer to note 1.10 of the Group financial statements for reference to the going-concern assessment).

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.

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.

New and revised IFRS in issue but not yet effective have been highlighted in note 1.2 of the Group financial statements. These standards and interpretations are expected to have an immaterial impact on 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:

1.4.1 Post-employment benefit obligations

Actuarial valuations of post-employment 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, mortality rates, family statistics, inflation rates and salary increments. Management experts are used to assist with valuations of post-employment benefit obligations. Refer note 5.1.

1.4.2 Share-based payment transactions

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

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

1.4.3 Provision for expected credit losses of intercompany loans

The company determines the maximum period over which expected impairment losses should be measured as the longest contractual period where an entity is exposed to credit risk. In the case of loans repayable on demand, the contractual period is the very short period needed to transfer cash once demanded.

In a scenario where the borrower has sufficient highly available liquid assets to repay the loan, the credit losses are likely to be very close to zero. Judgement is required to determine whether a borrower has available facilities at reporting dates to determine the magnitude of the allowance which should be raised.

If the borrower is unable to immediately repay the loan if demanded by the lender, the lender might expect that it would maximise recovery of the loan by allowing the borrower time to pay, instead of forcing the borrower to liquidate or sell some or all of its assets to repay the loan immediately. Management considers the general 3-stage general impairment model in determining the magnitude of the impairment:

- Probability of default: The likelihood that the borrower would not be able to repay in the very short-term payment period.
- Loss given default: That is, the loss that occurs if the borrower is unable to repay in that very short payment period.
- Exposure at default: That is, the outstanding balance at the reporting date.

If the borrower at reporting date does not have sufficient liquid assets available, the lender will need to determine what its recovery scenarios are to determine the exposure at default. Management has considered that they will not require a "fire sale" of the borrowers' assets but would allow the borrower time to settle the debt based on the free cash flows generated from the latest business plan for the entity.

Management will adopt a "repay over time" strategy. Management will utilise future cash flow forecasts to determine the necessary time required to repay the loan and as such, the loss given default would be limited to the effect of discounting the amount due on the loan.

1.5 Events after the reporting period

Events after the reporting period are those events, favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue. Management has considered the relevant events during this period and concluded that they are non-adjusting events as determined in accordance with IAS 10, "Events after the reporting period". Details of material non-adjusting events are provided below.

These have been highlighted in note 1.9 of the group financial statements.

2. Performance

2.1 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. Management and agency fees are earned from Hulamin Operations Proprietary Limited.

Management fees are earned on expenditure incurred such as consulting fees, directors' fees, etc. 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.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

2. Performance continued

2.2 Expenses by nature

	2020 R'000	2019 R'000
Post-employment medical aid costs	**4 786**	5 225
Other costs	**8 828**	16 955
	13 614	22 180
Directors' emoluments		
Non-executives		
Fees	**6 657**	5 099
	6 657	5 099

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.

Authorised

800 000 000 ordinary shares of no par value (2019: 800 000 000 ordinary shares of no par value)

31 477 333 A ordinary shares of no par value (2019: 31 477 333 ordinary shares of no par value)

36 072 000 B ordinary shares of no par value (2019: 36 072 000 ordinary shares of no par value)

The A ordinary shares consist of 26 755 733 A2 shares and 4 721 600 A3 shares.

The B ordinary shares consist of 9 018 000 B1 shares, 9 018 000 B2 shares and 18 036 000 B3 shares.

	2020 R'000	2019 R'000
Ordinary shares		
Opening balance: 324 318 436 ordinary shares of no par value (2019: 319 596 836 ordinary shares of no par value)	**1 817 627**	1 817 580
Issued during the year: Nil (2019: Nil)	**–**	–
Conversion of 4 721 600 A1 ordinary shares to ordinary shares during the year (2019: Nil)		
A ordinary shares		
Opening balance and closing balance: 26 755 733 A2 shares of no par value (2019: 4 721 600 A1 and 26 755 733 A2 shares of no par value)	**59 609**	59 656
B ordinary shares		
Opening balance and closing balance: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value (2019: 9 018 000 B1, 9 018 000 B2 and 18 036 000 B3 shares of no par value)	**361**	361
Total issued stated capital	**1 877 597**	1 877 597

A and B ordinary shares

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

4 721 600 A3 ordinary shares were authorised in terms of the BEE Extension transaction prior to 31 December 2020 and were issued on 13 January 2021.

4 721 600 A1 ordinary shares vested and were converted into issued ordinary shares on 22 December 2020.

A3 ordinary shares are entitled to dividends whilst all A2 and B ordinary shares have no entitlement to dividends.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

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 2020, 6 801 529 unissued ordinary shares (2019: 6 801 529) were under the control of the directors, for the purpose, *inter alia*, of existing employee share incentive schemes.

Issued shares movement schedule

	2020 Number of shares	2019 Number of shares
Ordinary shares:		
Opening balance	**319 596 836**	319 596 836
A1 shares converted to issued share capital	**4 721 600**	–
Closing balance	**324 318 436**	319 596 836
A ordinary shares:		
Opening balance	**31 477 333**	31 477 333
Converted to issued shares	**(4 721 600)**	–
Closing balance	**26 755 733**	31 477 333
B ordinary shares:		
Opening balance	**36 072 000**	36 072 000
Movement	**–**	–
Closing balance	**36 072 000**	36 072 000

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.

	2020 R'000	2019 R'000
Dividends per share declared		
Final dividend: Nil cents on 324 318 436 ordinary shares (2019: Nil cents on 319 596 836 ordinary shares)	**–**	–
Final dividend: Nil cents on 4 721 600 A1 ordinary shares before conversion to ordinary shares (2019: Nil cents on 4 721 600 A1 ordinary shares)	**–**	–
Total	**–**	–

No dividend was declared in respect of the 2020 financial year.

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

4. Investments: Investments in subsidiaries and joint venture

4.1 Investment in subsidiaries and joint venture

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 re-organisations 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 applied the expected credit loss model in considering the loss allowance required at the respective year end. 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.

	2020 R'000	2019 R'000
Investment in shares in subsidiaries	**1 641 814**	1 631 576
Loan to subsidiary	**958 482**	918 791
	2 600 296	2 550 367

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

No impairment (2019: R859 million) was recognised in the current year as a result of the carrying amount of the investee's assets exceeding the carrying amount of the investment.

The effective interest rate on the loan to subsidiary for the year was 10.12% variable interest (2019: 12.9%). 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.

The company holds the following direct and indirect investments:

	Country of incorporation	% Equity interest 2020	% Equity interest 2019	Principal activities
Subsidiaries				
Hulamin Rolled Products Proprietary Limited*	South Africa	**100**	100	Dormant
Hulamin Systems Proprietary Limited*#	South Africa	**100**	100	Container fabricator
Hulamin Operations Proprietary Limited	South Africa	**100**	100	Semi-fabrication and fabrication of rolled aluminium products
Hulamin Extrusions Proprietary Limited*	South Africa	**100**	100	Semi-fabrication of extruded aluminium products
Hulamin North America LLC*	United States of America	**100**	100	Sales office
Joint ventures				
Isizinda Aluminium Proprietary Limited (note 6.1(d))	South Africa	**38.7**	38.7	Property owning company

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

\# *Formerly known as Hulamin Systems (Pty) Ltd and into which the Containers division was sold on 1 November 2020.*

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

5. Benefits and remuneration: Our investment in employees

5.1 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.

	2020 R'000	2019 R'000
Amounts recognised in the statement of financial position are as follows:		
Present value of unfunded obligations	**53 446**	58 479
Liability in the statement of financial position	**53 446**	58 479
The liability can be reconciled as follows:		
Balance at beginning of year	**58 479**	60 902
Total expense accrued	**5 660**	6 038
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 370)**	(2 444)
Actuarial gains arising from changes in experience adjustments	**(1 680)**	453
Benefit payments	**(6 643)**	(6 470)
Balance at end of year	**53 446**	58 479
Amounts recognised in the statement of profit or loss are as follows:		
Interest costs	**5 660**	6 038
	5 660	6 038
Amounts recognised in other comprehensive income are as follows:		
Remeasurements:		
Actuarial gains arising from changes in financial assumptions	**(2 370)**	(2 444)
Actuarial gains arising from experience adjustments	**(1 680)**	453

Principal risks

Through its post-retirement medical aid subsidy benefit, the group is exposed to several 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.

Principal financial assumptions:

		2020	2019
Discount rate	(%)	**11.20**	10.30
Future company subsidy rate – in service	(%)	**6.70**	6.50
Future company subsidy rate – pensioners	(%)	**7.45**	7.25

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

5. Benefits and remuneration: Our investment in employees continued

5.1 Post-retirement medical aid benefits continued

	2020 R'000	2019 R'000
1% increase in future medical inflation rate		
– effect on the aggregate of the service and interest costs	**401**	426
1% increase in future medical inflation rate – effect on the obligation	**3 574**	4 132
1% decrease in future medical inflation rate		
– effect on the aggregate of the service and interest costs	**(360)**	(381)
1% decrease in future medical inflation rate – effect on the obligation	**(3 219)**	(3 071)
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 2020 is 7.2 years (2019: 7.2 years).		
Estimated benefits payable by the company in the next financial year	**6 850**	7 051

6. Other: Other detailed disclosure requirements

6.1 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.

	2020 R'000	2019 R'000
Deferred tax asset		
At beginning of year	**16 375**	17 060
Deferred tax in the statement of profit or loss:		
Current year charge	**(276)**	(126)
Deferred tax credit on other comprehensive items	**(1 134)**	(559))
At end of year	**14 965**	16 375
Comprising:		
Post-retirement medical aid provision	**14 965**	16 375
Other	**–**	–
	14 965	16 375
Deferred tax asset to be recovered after more than 12 months	**14 965**	16 375
Deferred tax asset to be recovered within 12 months	**–**	–
	14 965	16 375

NOTES TO THE COMPANY FINANCIAL STATEMENTS
CONTINUED
for the year ended 31 December 2020

6.2 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.

		2020 R'000	2019 R'000
South African normal taxation:			
Current			
Current year		**27 302**	31 720
Prior year under/(over) provision		**195**	–
Deferred			
Current year		**276**	126
		27 772	31 846
Tax rate reconciliation			
Normal rate of taxation	%	**28.0**	28.0
Adjusted for:			
Allowances not included in the statement of profit and loss	%	**0.2**	
Expenses not deductible for tax purposes	%	**1.9**	(23.7)
Effective rate of taxation		**30.1**	4.3

6.3 Related party transactions

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

	2020 R'000	2019 R'000
Interest received from subsidiary	**103 277**	118 375
Agency fees received from subsidiary	**104**	104
Management fees received from subsidiary	**9 249**	15 857
Transactions with non-executive directors are detailed in the group annual financial statements.		
The following balances were outstanding at the end of the reporting period:		
Loan balance owing by subsidiary (note 4.1)	**958 482**	918 791

6.4 Trade and other receivables

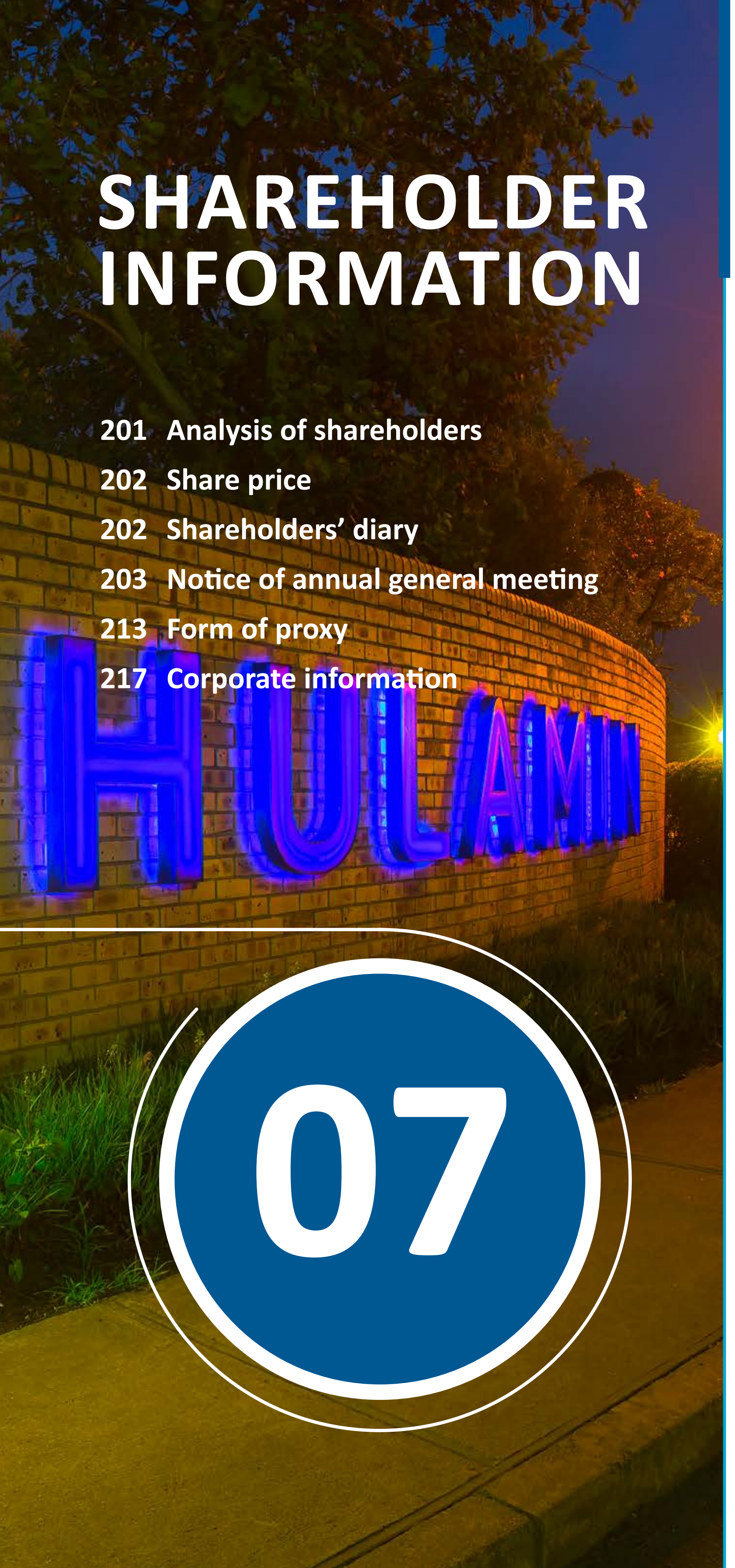
During the year the company, in the ordinary course of business had the following trade and other receivables. This primarily consists of sundry debtors in the form of accrued interest receivable on the shareholders loan and the VAT receivable. Refer to disclosure below:

Financial and non-financial assets

	2020 R'000	2019 R'000
Financial assets	**24 295**	–
Sundry receivables	**24 295**	–
Non-financial assets	**65**	–
Value-added taxation receivable	**65**	–
	24 360	–

7. Financial risk management

The company's risk management is incorporated in the group's risk management process and is predominantly controlled by a central treasury department (group treasury) under policies approved by the Board of Directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and use of derivative financial instruments. Further detail can be obtained in Note 7 of the consolidated annual financial statements.



SHAREHOLDER INFORMATION

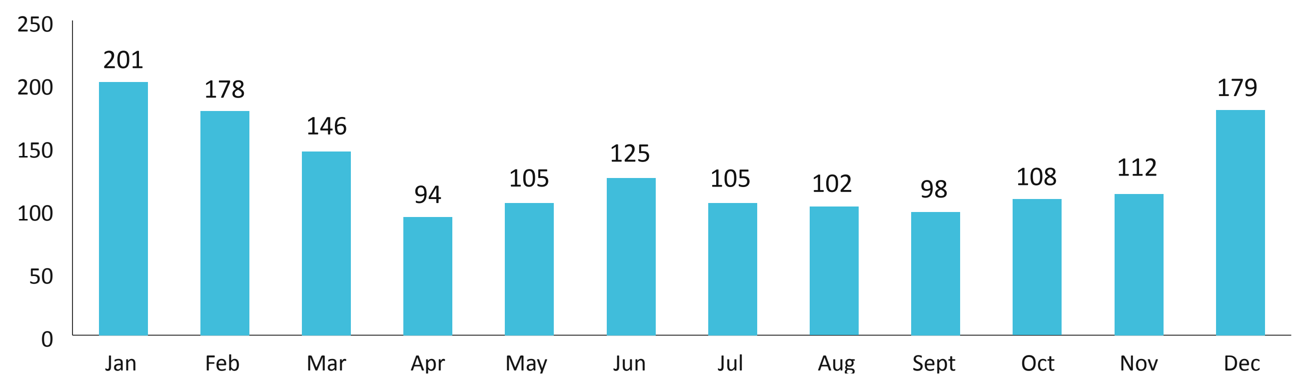
07

ANALYSIS OF SHAREHOLDERS

	Number of ordinary shareholders	Percentage of total	Number of shares	Percentage of issued shares
Ordinary shareholders				
1 – 1 000	3 317	58,93	739 444	0,23
1 001 – 10 000	1 391	24,71	5 562 085	1,72
10 001 –100 000	732	13,00	25 601 117	7,89
100 001 – 1 000 000	155	2,76	52 113 273	16,07
Over 1 000 000 shares	34	0,60	240 302 517	74,09
	5 629	100,0	324 318 436	100,0
Public/non-public shareholders				
Non-public shareholders	6	0,11	111 511 048	34,39
Directors of the company	4	0,07	1 100 749	0,34
Extended family of Directors	–	n/a	–	n/a
Strategic holding (more than 10%) Treasury Stock	1	0,02	94 587 954	29,17
Treasury Stock	1	0,02	15 822 345	4,88
Public shareholders	5 623	99,89	212 807 388	65,61
Total listed shareholders	5 629	100,00	324 318 436	100,00
Beneficial shareholders holding more than 3% of share capital				
Industrial Development Corporation			94 587 954	29,17
JL Biccard			31 894 766	9,83
Ninety One			16 193 301	4,99
Hulamin Operations Proprietary Limited			15 822 345	4,88
Investec			16 193 301	4,99
Total			174 691 667	53,86
A and B ordinary shareholders (refer to note 3.5 in the annual financial statements)				
Hulamin ESOP				
A2 ordinary (voting and beneficial)			26 755 733	42,59
BEE strategic partners				
B1 ordinary (voting and beneficial)			9 018 000	14,35
B2 ordinary (voting and beneficial)			9 018 000	14,35
B3 ordinary (voting only)			18 036 000	28,71
Total non-listed A and B ordinary shareholders			62 827 733	100,00

SHARE PRICE

Hulamin volume weighted average share price by month during 2020 (cents per share)



SHAREHOLDERS' DIARY

			Diary 2021	Diary 2020
Financial year-end			**31 December**	31 December
Annual general meeting			**May**	July
Financial reports	Interim results		**August**	August
	Annual results and final dividend declaration		**March**	June
	Annual financial statements		**March**	June
Dividend	Final	Declared	**March**	n/a
		Paid	**April**	n/a

NOTICE OF ANNUAL GENERAL MEETING

Hulamin Limited
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

Notice is hereby given that the 81st annual general meeting of shareholders will be held entirely via a remote interactive electronic platform Microsoft Teams on Thursday, 27 May 2021 at 15:00 ("Annual General Meeting"), to conduct the business set out below and to consider and, if deemed fit, adopt, with or without modification, the ordinary and special resolutions set out in this notice. Hulamin will be assisted by Computershare Investor Services Proprietary Limited ("the Company's Transfer Secretaries") who will also act as scrutineers.

Salient dates

The following dates apply to the Annual General Meeting:

The Record Date for purposes of determining which shareholders are entitled to receive this notice is Friday, 16 April 2021. The Last Day to Trade in order to be eligible to participate and vote at the Annual General Meeting is Tuesday, 18 May 2021.

The Record Date for shareholders to be recorded in the securities register of Hulamin in order to be able to attend, participate and vote at the Annual General Meeting is Friday, 21 May 2021.

Shareholders to lodge Proxy Forms by Tuesday, 25 May 2021 at 15:00.

Shareholders or their duly authorised proxies who wish to participate in the Annual General Meeting, must register to do so by lodging a completed Electronic Participation Application Form by Tuesday, 25 May 2021 at 15:00.

Annual financial statements

The annual financial statements of the Company for the year ended 31 December 2020, including the reports of the directors, the independent auditors and the Audit Committee will be presented at the meeting. The 2020 annual financial statements are set out on pages 92 to 199 of the Integrated Annual Report.

PROPOSED ORDINARY RESOLUTIONS

1. To authorise the directors to appoint Ernst & Young as the independent registered auditors of the Company who will undertake the audit of the Company for the ensuing year, with Mr Sifiso Sithebe as the individual designated auditor of the Company. The group Audit Committee has recommended their appointment as independent registered auditors of the Company.

2. To re-elect the following directors who retire in accordance with Article 33.11 of the Company's Memorandum of Incorporation and who, all being eligible, offer themselves for re-election. Motions for re-election will be moved individually. The profiles of the directors eligible for re-election appear below.

2.1 Richard Gordon Jacob (55) – Executive Director

- Chief Executive Officer
- Member of the Risk Committee and a member of the Social, Ethics and Sustainability Committee
- BSc (Engineering); MBA

After graduating with a BSc Engineering from the University of Cape Town and following a brief period as an officer in the South African Navy, Richard joined Hulamin in 1990 as an Industrial Engineer. In 1992 he was appointed Manager, Coil Coating Operation, followed by Market and Business Development Manager in 1996. In 2002, Richard was appointed to the Executive Committee and board of Hulett Aluminium, responsible for Coated Products, communication and investor relations. Richard was appointed to the board of Hulamin in 2007 and as Chief Executive Officer in July 2010.

2.2 Vusi Noel Khumalo (58) – Non-Executive Director

- Chairman of the Social, Ethics and Sustainability Committee and member of the Chairman's Committee.
- Senior manager: Industrial Development Corporation of SA Limited – IDC.
- BCom; BCompt (Hons); CA (SA); Global Executive Development Programme

Vusi, a senior manager at Industrial Development Corporation of South Africa Limited, is responsible for managing IDC's investment portfolio. He served articles at Ernst & Young and has held various financial management positions in Anglo American Corporation of South Africa Limited and Edcon Limited. He is also a non-executive director of Ernani Investments (Pty) Limited. He was appointed to the Hulett Aluminium board in 2006 and to the board of Hulamin in 2007.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

2.3 Naran Maharajh (54) – Independent Non-Executive Director

- Chairman of the Audit Committee; member of the Risk Committee and a member of the Chairman's Committee
- Director of BCA Inc
- CA(SA)

Naran is a practicing chartered accountant and a director of BCA Inc. He completed his training with PWC. He was then appointed as a lecturer in the department of Accountancy at the University of KwaZulu-Natal. He was one of the founding partners of KMMT Brey. In 1999 the firm merged with KPMG and Naran was appointed as a director of KPMG. In 2007 he left KPMG to set up BCA Inc. a firm specialising in providing audit, accounting and business advisory services. He currently serves as a director of Comair Limited. He has previously served as non-executive director of Mercedes-Benz South Africa Limited and Masonite Africa Limited. He was appointed to the Hulamin board on 1 September 2016.

2.4 Sibusiso Peter-Paul Ngwenya (67) – Non-Executive Director

- Member of the Social, Ethics and Sustainability Committee
- Executive Chairman: Makana Investment Corporation
- BCom (Hons)

Following his release from Robben Island in 1991, Peter-Paul joined Engen and later South African Breweries. In 1997 he joined Makana Trust, where he is a founding Trustee and former Chairman. He later co-founded Makana Investment Corporation of which he is the current executive Chairman. He is also the Chairman of South African Airlink, Heart 104.9 and Igagasi 99.5 radio stations and Sebenza Forwarding and Shipping Consultancy. He was appointed to the Hulamin board in 2007 as an alternate director to Johannes Bhekumuzi Magwaza and was appointed as a full director on the Hulamin board in October 2009.

3. To elect the following independent non-executive directors as members of the group Audit Committee and to appoint Mr N Maharajh as Chairman of the group Audit Committee. Motions for election will be moved individually.

3.1 Mr N Maharajh (Chairman) (subject to the adoption of 2.3 above)

3.2 Mr CA Boles – Independent Non-Executive Director

3.3 Dr B Mehlomakulu – Independent Non-Executive Director

Charles Alexander Boles (51)

- Chairman of the Remuneration and Nomination Committee, a member of the Audit Committee and a member of the Chairman's Committee
- CA(SA); Higher Diploma in Taxation; Higher Diploma in Company Law; MBA (Cum Laude)

Charles was formerly a partner at Price Waterhouse in the Corporate Finance division. He then worked for Investec Bank Limited before establishing his own business, Titanium Capital. He has a depth of experience in finance, investments and private equity. Charles was appointed to the Hulamin board on 1 October 2016.

Dr Bonakele Mehlomakulu (48)

- Member of the Risk Committee, Audit Committee and Social, Ethics and Sustainability Committee
- BSc (Chemistry and Applied Chemistry); BSc (Hons) (Chemistry); MSc (Organic Chemistry); PhD (Chemical Engineering)

Dr Boni Mehlomakulu holds a PhD in Chemical Engineering from the University of Cape Town. Her career started at Sasol before joining the Department of Science and Technology occupying various management roles. Her recent executive role was a Chief Executive Officer of the South African Bureau of Standards, the position she held for nine years. In addition to her non-executive directorship at Hulamin Limited she also serves as a non-executive director at Sappi Limited and Yokogawa (Pty) Ltd. Her past directorships include PBMR (Pty) Ltd, Nuclear Energy Corporation of South Africa, Eskom Holdings SOC Limited and the Technology Innovation Agency, as well as having served as the Deputy Chair of Unisa Council and a country representative on the Council of International Standards Organisation (ISO, Geneva).

PROPOSED SPECIAL RESOLUTIONS

4. Approval of non-executive directors' fees

Directors' fees were approved at the annual general meeting held on 30 July 2020 and are applicable for the 12-month period ended 31 July 2021.

The Board, on the recommendation of the Remuneration and Nomination Committee, proposes that the directors' fees for the period commencing 1 August 2021, be as set out below.

Special resolution number 1

"Resolved as a special resolution that the proposed fees, set out below, payable to non-executive directors for their services as directors on the Board and on Board Committees and as invitees to Board committees, when invited by the Chairman of the Board Committee to attend a meeting as an invitee, for the 12-month period commencing 1 August 2021, be and are hereby approved."

		Present fees to 31 July 2021		Proposed fees from 1 August 2021	
Role		Annual Attendance Rand	Annual Retainer Rand	Annual Attendance Rand	Annual Retainer Rand
Chairman of the Board		**477 410**	**40 920**	**491 730**	**42 150**
Member of the Board		**174 450**	**14 950**	**179 680**	**15 400**
Chairman of the audit committee		**125 550**	**17 930**	**129 320**	**18 470**
Member of the audit committee		**72 950**	**10 430**	**75 140**	**10 740**
Invitee of the audit committee			**10 430**		**10 740**
Chairman of the risk committee		**86 690**	**12 380**	**89 290**	**12 750**
Member of the risk committee		**47 580**	**6 800**	**49 010**	**7 000**
Invitee of the risk committee			**6 800**		**7 000**
Chairman of the remuneration and nomination committee		**86 690**	**12 380**	**89 290**	**12 750**
Member of the remuneration and nomination committee		**47 580**	**6 800**	**49 010**	**7 000**
Invitee of the remuneration and nomination committee			**6 800**		**7 000**
Chairman of the social, ethics and sustainability committee		**86 690**	**12 380**	**89 290**	**12 750**
Member of the social, ethics and sustainability committee		**47 580**	**6 800**	**49 010**	**7 000**
Invitee of the social, ethics and sustainability committee			**6 800**		**7 000**
Chairman of an *ad hoc* Board committee			**12 380**		**12 750**
Member of an *ad hoc* Board committee			**6 800**		**7 000**
Invitee of an *ad hoc* Board committee			**6 800**		**7 000**
Fees for international NEDs	(€)	**31 320**	**2 680**	**31 570**	**2 700**
Fees for international NEDs	($)	**31 790**	**2 720**	**31 950**	**2 740**

As regards the attendance fee, the Board typically holds five meetings a year, and normally three meetings are held each year of the Remuneration and Nomination Committee and each of the other sub-committees of the Board.

Shareholders' approval is also requested to remunerate non-executive directors who participate in a specially constituted *ad hoc* Board sub-committee meeting as detailed in the table above, and to remunerate non-executive directors who attend a Board sub-committee meeting as an invitee at the request of the Chairman of the Board sub-committee.

5. Financial assistance

In terms of section 45 of the Companies Act, No 71 of 2008, as amended ("the Companies Act"), the Board may authorise the Company to provide financial assistance to a related or inter-related company or corporation, provided such assistance is approved by way of a special resolution of the shareholders adopted within the previous two years and certain requirements as set out in the Companies Act are met, amongst others, that the Company meets the solvency and liquidity test. The Board seeks such approval from shareholders in order to provide financial assistance to companies or corporations which are related or inter-related to the Company from time to time.

Special resolution number 2

"Resolved as a special resolution, subject to the provisions of section 45(2) of the Companies Act, that the provision of any financial assistance by the Company to any company or corporation which is related or inter-related to the Company (as defined in the Companies Act), on the terms and conditions which the directors may determine, be and is hereby approved."

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

6. General authority to repurchase shares in the company

The reason for Special Resolution Number 3 is to grant the Board a general authority in terms of section 48(8) of the Companies Act and the JSE Listings Requirements, up to and including the date of the following annual general meeting of the Company, to approve the acquisition by the Company of its own shares, or to permit a subsidiary of the Company or any trust controlled by the Company to acquire shares in the Company. The directors require this general authority in order to facilitate the repurchase of the Company's ordinary shares in circumstances where the directors consider this to be appropriate and in the best interests of the Company and its shareholders.

Special resolution number 3

"Resolved as a special resolution that the board of directors is hereby authorised in terms of section 48(8) of the Companies Act by way of a renewable general authority, in terms of the provisions of the JSE Listings Requirements and as permitted by the Company's Memorandum of Incorporation, to approve the purchase by the Company of its ordinary shares, and/or the purchase of ordinary shares in the Company by any of its subsidiaries or any trust controlled by the Company, upon such terms and conditions and in such amounts as the Board may from time to time determine, but subject to the Memorandum of Incorporation of the Company, the provisions of the Companies Act and the JSE Listings Requirements, when applicable, and provided that:

- the general repurchase by the Company of ordinary shares in terms of this general authority may not, in the aggregate, exceed in any one financial year 5% of the Company's issued ordinary share capital as at the date of the grant of this general authority;
- any such repurchase of securities shall be implemented through the order book operated by the JSE trading system and without any prior understanding or arrangement between the Company and the counter party;
- this general authority shall only be valid until the Company's next annual general meeting, provided that it shall not extend beyond 15 months from the date this resolution is passed;
- the Company will only appoint one agent at any point in time to affect any repurchase(s) on its behalf;
- general repurchases by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company in terms of this authority, may not be made at a price greater than 10% above the weighted average of the market value at which such ordinary shares are traded on the JSE, as determined over the five business days immediately preceding the date on which the repurchase of such ordinary shares is effected by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company;
- the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may not repurchase securities during a prohibited period, as detailed in the JSE Listings Requirements, unless the Company has a repurchase programme in place where the dates and quantities of securities to be traded during the relevant period are fixed (and not subject to any variation) and which has been submitted to the JSE in writing prior to the commencement of the prohibited period. The Company must instruct an independent third party, which makes its investment decisions in relation to the Company's securities independently of and uninfluenced by the Company, prior to the commencement of the prohibited period to execute the repurchase programme submitted to the JSE; and
- SENS and press announcements will be published giving such details as may be required in terms of the JSE Listings Requirements as soon as the Company and/or any subsidiary and/or any trust controlled by the Company has in terms of this general authority, repurchased ordinary shares constituting on a cumulative basis 3% of the number of ordinary shares in issue at the date of the passing of this resolution, and for each 3% in aggregate of the initial number of shares acquired thereafter."

6.1 Statement of directors

Shares repurchased by the Company and/or any subsidiary of the Company and/or any trust controlled by the Company may either be held in treasury or cancelled and restored to the status of authorised and unissued shares in the Company. The Board undertakes that it will not implement the proposed authority to repurchase shares, unless the directors have considered the effect of the maximum repurchase and are of the opinion that, for a period of 12 months after the date of the repurchase:

- the Company and the group will be able to pay its debts in the ordinary course of business;
- the assets of the Company and the group will be in excess of the liabilities of the Company and the group. For this purpose, the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Companies Act;
- the share capital and reserves of the Company and the group will be adequate for ordinary business purposes;
- the working capital of the Company and the group will be adequate for ordinary business purposes; and
- a resolution by the Board has been passed authorising the repurchase and confirming that the Company and its subsidiaries have passed the solvency and liquidity test as defined in the Companies Act and that, since the test was performed, there have been no material changes to the financial position of the group.

6.2 Material changes

Other than the facts and developments reported on in the annual financial statements, there have been no material changes in the financial or trading position of the Company and its subsidiaries between 31 December 2020 (being the last financial year end) and the date of this notice.

6.3 Responsibility statement

The directors, whose names appear on the corporate information page of this notice, jointly and severally accept full responsibility for the accuracy of the information pertaining to special resolution number 3 and certify that to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this notice contains all information required by the Companies Act and the JSE Listings Requirements.

6.4 Additional disclosures in terms of the jse Listings Requirements

Other disclosures in terms of the JSE Listings Requirements are contained elsewhere in the integrated annual report as follows:

- Major shareholders of the Company — page 201
- Share capital of the Company — pages 194 to 195

7. Amendments to Memorandum of Incorporation

7.1 Odd-lot offers

In terms of the JSE Listings Requirements, an "odd-lot" offer is an offer where the listed company intends reducing administrative costs resulting from a large number of "odd-lot" holders. The JSE interprets an "odd-lot" as a total holding of: (a) less than 100 securities; or (b) 100 or more securities, provided that it can be illustrated to the JSE that the cost associated with a holder disposing of such number of shares is equal to or exceeds the total value of such number of securities.

When a listed company proposes to make an odd lot offer in all instances a two-way election must be provided for in terms of which securities holders may: (i) elect to retain their odd-lot holding; or (ii) elect to sell their odd-lot holding.

In terms of paragraph 5.124 of the JSE Listings Requirements, expropriation of securities, being the default action applicable if securities holders do not make any election, is only allowed where the listed company's memorandum of incorporation is amended to make provision for expropriation of odd-lots and where the specific odd-lot offer has been approved by shareholders at a general meeting.

The board proposes to amend the Company's Memorandum of Incorporation as contemplated in clause 5.124 of the JSE Listings Requirements to permit the expropriation of odd-lots where securities holders do not make an election in the event of an odd-lot offer by the Company.

Special resolution number 4.1

"Resolved as a special resolution that the Memorandum of Incorporation of the Company be and is hereby amended by the insertion of the new clause 51 (Odd-Lot Offers) set out in paragraph 1 of Annexure A to the notice calling this meeting, into the Company's Memorandum of Incorporation immediately after clause 50 (Signature of Documents)".

7.2 Amendments to Schedule b

The Company's Memorandum of Incorporation was amended on 17 December 2020, which amendment was accepted by the Companies and Intellectual Property Commission (the Commission). The amendment to the memorandum comprised *inter alia* the replacement of Schedule B thereto.

The board has identified certain patent errors in the replacement Schedule B adopted by the shareholders, introduced during the typesetting process, which errors it wishes to correct.

It is accordingly proposed that *'Schedule B – Rights, Limitations and Other Terms of A1, A2, A3, B1, B2 and B3 Ordinary Shares'* of the Company's Memorandum of Incorporation be amended in the manner set out in paragraph 2 of Annexure A to the notice calling this meeting.

Special resolution number 4.2

"Resolved as a special resolution that *'Schedule B – Rights, Limitations and Other Terms of A1, A2, A3, B1, B2 and B3 Ordinary Shares'* of the Company's Memorandum of Incorporation be and is hereby amended in the manner set out in paragraph 2 of Annexure A to the notice calling this meeting."

8. Remuneration policy – non-binding advisory vote

The King IV Report on Corporate Governance and the JSE Limited Listings Requirements require that the Board (with the assistance of the Remuneration Committee) table the remuneration policy and the implementation report every year for separate non-binding advisory votes by shareholders at the Annual General Meeting. In accordance with the provisions of the JSE Listings Requirements, the Company shall give shareholders the right to express their views on the remuneration policy by casting an advisory vote in the manner set out below.

"Resolved that the Company's remuneration policy for financial year-ended 31 December 2020, as contained in the remuneration report as set out on pages 82 to 91 of the Integrated Annual Report, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

9. Implementation report – non-binding advisory vote

"Resolved that the Company's implementation report, as contained in the remuneration report as set out on pages 82 to 91 of the Integrated Annual Report, be and is hereby approved, through a non-binding advisory vote, in accordance with the JSE Listings Requirements and the recommendations of King IV."

10. Other matters

- Report back from the Social, Ethics and Sustainability Committee in terms of Regulation 43(5)(c) of the Companies Act on social and ethics matters pertaining to the Company.
- To transact such other business as may be transacted at an annual general meeting.

11. Electronic participation arrangements

The Company's Memorandum of Incorporation authorises the conduct of shareholders' meetings entirely by electronic communication as does section 63(2)(a) of the Companies Act. In light of the measures put in place by the South African Government in response to the COVID-19 pandemic, the Board has decided that the Annual General Meeting will only be accessible through a remote interactive electronic platform as detailed below.

Shareholders or their duly appointed proxies who wish to participate in the Annual General Meeting are required to complete the Electronic Participation Application Form available immediately after the proxy form on page 213 and email same to the Company's Transfer Secretaries at proxy@computershare.co.za and to Hulamin at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Tuesday, 25 May 2021.

Shareholders or their duly appointed proxies are required to provide satisfactory identification before being entitled to participate in the Annual General Meeting.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the Annual General Meeting. The Company's Transfer Secretaries will provide the Company with the nominated email address of each verified shareholder or their duly appointed proxy to enable the Company to forward them a Microsoft Teams meeting invitation required to access the Annual General Meeting.

Fully verified shareholders or their duly appointed proxies who have applied to participate electronically in the Annual General Meeting are requested by no later than 14:55 on Thursday, 27 May 2021 to join the meeting by clicking on the "Join Microsoft Teams Meeting" link to be provided by Hulamin's company secretary or by the secretarial office, whose admission to the meeting will be controlled by the company secretary/secretarial office.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the Annual General Meeting. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such shareholder or their proxy from participating in and/or voting at the Annual General Meeting.

Voting and proxies

For an ordinary resolution to be approved by the shareholders, it must be supported by more than 50% of the voting rights exercised on the resolution. For a special resolution to be approved by the shareholders, it must be supported by at least 75% of the voting rights exercised on the resolution.

Voting will be via a poll; every shareholder of the Company shall have one vote for every share held in the Company by such shareholder.

A shareholder entitled to participate and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to electronically participate, speak and vote in his/her stead. A proxy need not be a shareholder of the Company.

The electronic platform (Microsoft Teams) to be utilised to host the Annual General Meeting does not provide for electronic voting during the meeting.

Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the Annual General Meeting, by completing the Form of Proxy (found on page 213) and lodging this form with the Company's Transfer Secretaries by no later than 15:00 on Tuesday, 25 May 2021 by:

- delivery to Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank; or
- email to proxy@computershare.co.za.

Any forms of proxy not submitted by this time can still be lodged by email to proxy@computershare.co.za prior to the commencement of the meeting.

Shareholders are reminded that they are still able to vote normally through proxy submission, despite deciding to participate either electronically or not at all in the Annual General Meeting.

Shareholders who indicate in the Electronic Participation Application Form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Dematerialised shareholders without 'own name' registration

Dematerialised shareholders, other than those with 'own name' registration, who wish to participate in the Annual General Meeting, should instruct their Central Securities Depository Participant ("CSDP") or Broker to issue them with the necessary letter of representation to participate in the Annual General Meeting, in the manner stipulated in the relevant custody agreement. The letter of representation will need to be submitted together with the completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

If these shareholders do not wish to participate in the Annual General Meeting in person, they must provide the CSDP or broker with their voting instructions in terms of the relevant custody agreement entered into between them and the CSDP or broker.

Certificated shareholders and dematerialised shareholders with 'own name' registration

Those Certificated Shareholders and Dematerialised Shareholders with 'own name' registration, who wish to participate in the Annual General Meeting (either in person or represented by proxy), must submit a completed Electronic Participation Application Form to the Company's Transfer Secretaries and to Hulamin in the manner and within the timeframe described above under the section titled "Electronic Participation Arrangements".

Questions

Shareholders are encouraged to submit via email any questions in advance of the Annual General Meeting to the Company Secretary at secretarial@hulamin.co.za. These questions will be addressed at the Annual General Meeting and will be responded to via email thereafter.

By order of the Board

Company Secretary
Pietermaritzburg

28 April 2021

Registered office
Moses Mabhida Road, Pietermaritzburg, KwaZulu-Natal

Transfer Secretaries
Computershare Investor Services Proprietary Limited
Rosebank Towers
15 Biermann Avenue
Rosebank, Johannesburg, 2196
(Private Bag X9000, Saxonwold, 2132)

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

The Chairman of the Social, Ethics and Sustainability Committee feedback report

The Chairman of the Social, Ethics and Sustainability Committee, Mr VN Khumalo, advised that the following, inter alia, were discussed at the Social, Ethics and Sustainability Committee meetings held during 2020.

- The terms of reference incorporating the responsibilities prescribed for a Social and Ethics Committee in terms of the Companies Act, King IV Code of Corporate Governance and the annual workplan
- Strategy on how Hulamin will achieve its transformation, social and ethics goals
- Employment equity targets and the progress made in achieving same
- Hulamin's BEE scorecard report and the impact of the new B-BBEE codes on Hulamin's score
- Environmental sustainability performance and the underlying Resource Efficiency performance
- Hulamin's current carbon footprint and the strategies to reduce this in line with commitments made to Customers and the Science-Based Target for GHG reduction.
- The recycling content of our products and strategies for improvement
- Report on disputes and stakeholder engagement issues
- Report on Hulamin's contribution to the greater Pietermaritzburg area and Hulamin's granting of sponsorships, donations and charitable giving
- Report on the educational development of employees
- Report on labour regulatory compliance
- Review of safety, health and environmental performance and policies
- Assurance on the implementation of Hulamin's compliance policies in customer dealings
- Review of the following codes and policies:
  - » Stakeholder engagement policy
  - » Code of ethics incorporating code of conduct and ethics pertaining to the procurement staff
  - » Code of conduct for suppliers and service provider
  - » Corporate compliance policy
  - » Whistle blowing policy
  - » Crimes involving dishonesty
  - » Conflict of interest and gifts policy for employees.
- Noting the fraud policy and fraud prevention strategy approved by the Audit Committee.
- Risk Oversight

  The committee is an integral component of the risk management process and specifically the committee shall oversee the risk management, activities relative to:

  - » B-BBEE, Social and economic development, Good corporate citizenship, Environmental Management, Environmental Sustainability, Health and public safety, Consumer Relationships, Labour and employment, Ethics and Stakeholders (reputational risk)

In addition, the committee, whose terms of reference include the functions to be performed by a Social and Ethics Committee, as prescribed by the Companies Act of 2008, wishes to confirm that:

1. Compliance by the group with the United Nations Global Compact Principles and the OECD recommendations is mandatory, which in essence relate to social, labour, environmental and anti-corruption standards. Any non-compliance is therefore not tolerated by the group.
2. The group complies with the Employment Equity and Black Economic Empowerment Acts. Specific targets have been set for the company to increase its levels of compliance with these Acts over the short- to medium-term.
3. The group complies with its Code of Ethics. The Code of Ethics of the group requires all directors and employees to be committed to fair dealing, honesty and integrity in the conduct of its business. The Code of Ethics has been endorsed by the Board and distributed to all employees in the group. Compliance by all employees to the high moral, ethical and legal standards of the Code is mandatory, and if employees become aware of, or suspect, a contravention of the Code, they must promptly and confidentially report it in the prescribed manner.

Annexure A

Proposed Amendments to the Company's Memorandum of Incorporation

1. Odd-Lot Offers

It is proposed that the following new clause 51 (Odd-Lot Offers) be inserted into the Company's Memorandum of Incorporation immediately after clause 50 (Signature of Documents):

"51. Odd-Lot Offers

51.1 For the purposes of this clause 51, "odd-lot" means a total holding of:

(a) less than 100 ordinary shares; or

(b) 100 or more ordinary shares, provided that it can be illustrated to the JSE that the cost associated with a holder disposing of such number of shares is equal to or exceeds the total value of such number of securities; or such other number of shares as may be permitted by the JSE.

51.2 The Company may make and implement odd-lot offers in accordance with the provisions of this clause 51, if approved by the shareholders in general meeting and in accordance with the restrictions and procedures imposed by the Listing Requirements or as otherwise permitted by the JSE.

51.3 If, upon implementation of any odd-lot offer made by the Company, there are shareholders holding an odd-lot in the Company ("odd-lot holders"), then the Company shall, save in respect of odd-lot holders who have elected to retain their odd-lots or to sell their odd-lots in the Company in accordance with the terms of the odd-lot offer:

(a) cause the odd-lots to be expropriated by the Company from the odd-lot holders who have not made an election to retain their odd-lots in the Company on such terms and conditions as the board may determine; and

(b) procure that the proceeds of such expropriation are paid to such odd-lot holders. [LR 5.124]".

2. AMENDMENTS TO SCHEDULE B

It is proposed that Schedule B of the Company's Memorandum of Incorporation be amended as follows:

1) By the replacement in Article 1.1.5 of the reference to Article 6 with a reference to Article 7.

2) By the insertion, in article 1.3.1, of the words *'in accordance with the Act and this Memorandum of Incorporation and the'* between the words '*decided by the shareholders'* and *'A1 Ordinary Shares shall rank'.*

3) By:

(a) the renumbering of Article 2.1.1 to Article 2.1.2, of Article 2.1.2 to 2.1.3, and so on until Article 2.1.8 is renumbered Article 2.1.9; and

(b) the insertion of a new Article 2.1.1 to read *'"A2 Ordinary Shares" means the A2 ordinary shares of no par'* prior to words *'value in the Company',* such that Article 2.1.1 reads '"A2 Ordinary Shares" means the A2 ordinary shares of no par value in the Company, the terms of which shares are set out in this Article 2;'.

4) By the replacement:

(a) in Article 4.1, of the reference to Article 34 with a reference to Article 4;

(b) in Article 4.1.1, of the reference to Article 34 with a reference to Article 4;

(c) in Article 4.1.3, of the reference to Article 34.7 with a reference to Article 4.7;

(d) in Article 5.1, of the reference to Article 45 with a reference to Article 5;

(e) in Article 5.1.1, of the reference to Article 45 with a reference to Article 5; and

(f) in Article 5.4, of the reference to Article 55.7 with a reference to Article 5.7.

FORM OF PROXY

HULAMIN
Think future. Think aluminium.

Hulamin Limited
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

Note: All beneficial shareholders that have dematerialised their shares through a CSDP or broker, other than those which are in "own name", must not complete this form.

Certificated shareholders and/or dematerialised shareholders with "own name" registration must either provide their CSDP or broker with their voting instructions, or alternatively, should they wish to attend the annual general meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between themselves and the CSDP or broker.

The Board requests that completed forms of proxy are received at the office of the company's Transfer Secretaries, Computershare Investor Services Proprietary Limited, Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2001 (Private Bag x9000, Saxonwold, 2132), or via email to proxy@computershare.co.za by 15:00 on Tuesday, 25 May 2021. Any forms of proxy not lodged by this time may still be lodged by email to proxy@ computershare.co.za prior to the commencement of the meeting.

A shareholder entitled to attend and vote at the meeting mentioned below is entitled to appoint a proxy or proxies to attend, speak and, on a poll, to vote in his stead. A proxy need not be a shareholder of the company.

I/We _______________ (name in block letters)

Of _______________ (address in block letters)

Contactable number _______________ (telephone number)

Email address _______________

being the holder/holders of _______________ ordinary shares in Hulamin do hereby appoint

1. _______________ of _______________ (or failing him/her)

2. _______________ of _______________ (or failing him/her)

the Chairman of the annual general meeting, as my/our proxy to attend and speak and to vote for me/us at the annual general meeting of the company to be held at 15:00 on Thursday, 27 May 2021, for the purpose of considering and, if deemed fit, passing, with or without modification, all the resolutions to be proposed thereat, or at any adjournment thereof, as follows:

Resolution	For	Against	Abstain
1. Approval of the appointment of Ernst & Young as the independent auditors of the company with Mr Sifiso Sithebe as the designated auditor			
2. Re-election of retiring directors:			
2.1 RG Jacob as an executive director			
2.2 VN Khumalo as a non-executive director			
2.3 N Maharajh as an independent non-executive director			
2.4 SP Ngwenya as a non-executive director			
3. Appointment of group Audit Committee members and N Maharajh as Chairman of the group Audit Committee:			
3.1 N Maharajh as Chairman			
3.2 CA Boles			
3.3 Dr B Mehlomakulu			
4. Special resolution number 1: Approval of non-executive directors' fees			
5. Special resolution number 2: Provision of financial assistance			
6. Special resolution number 3: General repurchase of shares			
7.1 Special resolution number 4.1: MOI Amendment: Odd-Lot Offers			
7.2 Special resolution number 4.2: MOI Amendment: Schedule B			
8. Non-binding advisory vote – Remuneration policy			
9. Non-binding advisory vote – Implementation report			

Signed at _______________ on this _______ day of _______________ 2021

Signature _______________ Name _______________

Assisted by me (where applicable) _______________ Capacity _______________

NOTES TO THE FORM OF PROXY

1. Shareholders' instructions to the proxy must be indicated in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the annual general meeting as he/she deems fit. A shareholder may instruct the proxy to vote less than the total number of shares held by inserting the relevant number of shares in the appropriate box provided. A shareholder who fails to do so will be deemed to have authorised the proxy to vote or abstain from voting, as the case may be, in respect of all the shareholders' votes exercisable at the annual general meeting.
2. Documentary evidence establishing the authority of a person signing this form of proxy in a representative capacity (e.g. for a company, close corporation, trust, pension fund, deceased estate, etc.) must be attached to this form of proxy.
3. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.
4. A minor must be assisted by the minor's parent or guardian unless the relevant documents establishing the minor's legal capacity are produced or have been registered by the share registrars of the company.
5. The Chairman of the annual general meeting may accept any form of proxy which is completed other than in accordance with these notes if the Chairman of the annual general meeting is satisfied as to the manner in which the shareholder wishes to vote.

SUMMARY IN TERMS OF SECTION 58(8)(b)(I) OF THE COMPANIES ACT, 2008, AS AMENDED

Section 58(8)(b)(i) provides that if a company supplies a form of instrument for appointing a proxy, the form of proxy supplied by the company for the purpose of appointing a proxy must bear a reasonably prominent summary of the rights established by section 58 of the Companies Act, 2008, as amended, which summary is set out below:

- A shareholder of a company may, at any time, appoint any individual, including an individual who is not a shareholder of that company, as a proxy, among other things, to participate in, and speak and vote at, a shareholders' meeting on behalf of the shareholder.
- A shareholder may appoint two or more persons concurrently as proxies and may appoint more than one proxy to exercise voting rights attached to different securities held by the shareholder.
- A proxy may delegate the proxy's authority to act on behalf of the shareholder to another person.
- A proxy appointment must be in writing, dated and signed by the shareholder; and remains valid only until the end of the meeting at which it was intended to be used, unless the proxy appointment is revoked, in which case the proxy appointment will be cancelled with effect from such revocation.
- A shareholder may revoke a proxy appointment in writing.
- A proxy appointment is suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.
- A proxy is entitled to exercise, or abstain from exercising, any voting right of the shareholder without direction.

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING

Hulamin Limited
Incorporated in the Republic of South Africa
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
("Hulamin" or "the Company")

ANNUAL GENERAL MEETING – 27 MAY 2021 ("AGM")

Capitalised terms which are not defined herein shall bear the meanings assigned in the notice of annual general meeting (the "AGM Notice") to which this form is attached and forms part.

Instructions

Shareholders or their proxies, have the right, as provided for in the Company's Memorandum of Incorporation and the Companies Act, to participate in the AGM by way of electronic communication.

Shareholders or their duly appointed proxies who wish to participate in the AGM must complete this application form and email it (together with the relevant supporting documents referred to below) to the Company's Transfer Secretaries at proxy@computershare.co.za and to the Company at secretarial@hulamin.co.za as soon as possible, but in any event by no later than 15:00 on Tuesday, 25 May 2021.

Upon receiving a completed Electronic Participation Application Form, the Company's Transfer Secretaries will follow a verification process to verify each applicant's entitlement to participate in and/or vote at the AGM. The Company's Transfer Secretaries will provide the Company with the email address of each verified shareholder or their duly appointed proxy (each, "a Participant") to enable the Company to forward the Participant a Microsoft Teams meeting invitation required to access the AGM.

Hulamin will send each Participant a Microsoft Teams meeting invitation with a link to "Join the Microsoft Teams Meeting" on 27 May 2021 to enable Participants to link up and participate electronically in the AGM. This link will be sent to the email address nominated by the Participant in the table below.

Please note

The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the Form of Proxy (found at page 213) and lodging the completed proxy form together with this Electronic Participation Application Form with the Company's Transfer Secretaries.

Participants who indicate in this form that they wish to vote during the electronic meeting, will be contacted by the Company's Transfer Secretaries to make the necessary arrangements.

Participants will be liable for their own network charges in relation to electronic participation in and/or voting at the AGM. Any such charges will not be for the account of the Company's Transfer Secretaries or Hulamin who will also not be held accountable in the case of loss of network connectivity or other network failure due to insufficient airtime, internet connectivity, internet bandwidth and/or power outages which prevents any such Participant from participating in and/or voting at the AGM.

By signing this application form, the Participant indemnifies and holds the Company harmless against any loss, injury, damage, penalty or claim arising in any way from the use of the telecommunication lines to participate in the AGM or any interruption in the ability of the Participant to participate in the AGM via electronic communication, whether or not the problem is caused by any act or omission on the part of the Participant or anyone else, including without limitation the Company and its employees.

Information required for participation by electronic communication at the AGM

Full name of shareholder:		
Identity or registration number of shareholder:		
Full name of authorised representative (if applicable):		
Identity number of authorised representative:		
Email address: *Note: this email address will be used by the Company to share the Microsoft Teams invitation required to access the AGM electronically		
Cell phone number:		
Telephone number, including dialling codes:		
*Note: The electronic platform to be utilised for the AGM does not provide for electronic voting during the meeting. Accordingly, shareholders are strongly encouraged to submit votes by proxy in advance of the AGM, by completing the proxy form found at page 213.		
Indicate (by marking with an 'X') whether: ☐ votes will be submitted by proxy in advance of the AGM (in which case, please enclose the duly completed proxy form with this form); or ☐ the Participant will not be submitting votes by proxy in advance of the AGM and wishes to cast votes during the AGM. If this option is selected, the Company's Transfer Secretaries will contact you to make the necessary arrangements.		
By signing this application form, I consent to the processing of my personal information above for the purpose of participating in Hulamin's AGM.		
Signed at	on	2021
Signed:		

APPLICATION FORM FOR ELECTRONIC PARTICIPATION AT THE ANNUAL GENERAL MEETING CONTINUED

Documents required to be attached to this application form

1. In order to exercise their voting rights at the AGM, shareholders who choose to participate electronically may appoint a proxy, which proxy may participate in the AGM, provided that a duly completed proxy form has been submitted in accordance with the instructions on that form, and as envisaged in the notice of the AGM, a copy of which proxy form follows Annexure A of the AGM notice.
2. Documentary evidence establishing the authority of the named person, including any person acting in a representative capacity, who is to participate in the AGM, must be attached to this application.
3. A certified copy of the valid identity document/passport/ of the person attending the AGM by electronic participation, including any person acting in a representative capacity, must be attached to this application.

Applications to participate by electronic communication will only be considered if this application form is completed in full, signed by the shareholder, its proxy or representative, and delivered as detailed above. The Company may in its sole discretion accept any incomplete application forms.

CORPORATE INFORMATION

Hulamin Limited

(Incorporated in the Republic of South Africa)
Registration number: 1940/013924/06
Share code: HLM
ISIN: ZAE000096210
Founded: 1940
Listed: 2007
Sector: Industrial Metals and Mining

Business address and registered office

Moses Mabhida Road
Pietermaritzburg
3200

Postal address

PO Box 74
Pietermaritzburg
3200

Contact details

Telephone: +27 33 395 6911
Facsimile: +27 33 394 6335
Website: www.hulamin.co.za
Email: hulamin@hulamin.co.za

Securities exchange listing

South Africa (Primary)
JSE Limited

Transfer secretaries

Computershare Investor Services Proprietary Limited
Private bag X9000
Saxonwold
2132
South Africa

Auditors

Ernst & Young Inc.
102 Rivonia Road,
Sandton
2146
Private Bag X14, Sandton, 2146
Practice number: 918288
Telephone: +27 11 772 3000
Facsimile: +27 11 772 4000
Website: http://www.ey.com

Sponsor

Questco Corporate Advisory Proprietary Limited
Ground Floor, Block C
Investment Place
10th Road
Hyde Park
2196
Telephone: +27 11 011 9200
Email: sponsor@questco.co.za
Website: www.questco.co.za

Directorate

Non-executive directors

CA Boles*
VN Khumalo
RL Larson*
TP Leeuw, Chairman*
N Maharajh*
NNA Matyumza*[1]
B Mehlomakulu (Dr)*
SP Ngwenya
GHM Watson*
GC Zondi (Alternate)

Executive directors

RG Jacob, Chief Executive Officer
AP Krull, Chief Financial Officer[2]
LM Farquharson, Acting Chief Financial Officer[3]
M Gounder, Chief Financial Officer[4]
MZ Mkhize[5]

** Independent non-executive directors*
[1] Resigned 30 July 2020
[2] Resigned 31 October 2020
[3] Appointed Acting Chief Financial Officer for the period 1 November 2020 to 31 March 2021
[4] Appointed Chief Financial Officer 1 April 2021
[5] Resigned 28 February 2020

Company Secretary

W Fitchat
Email: willem.fitchat@hulamin.co.za

Corporate information and investor relations

BA Mngadi
Email: Ayanda.Mngadi@hulamin.co.za

www.hulamin.com