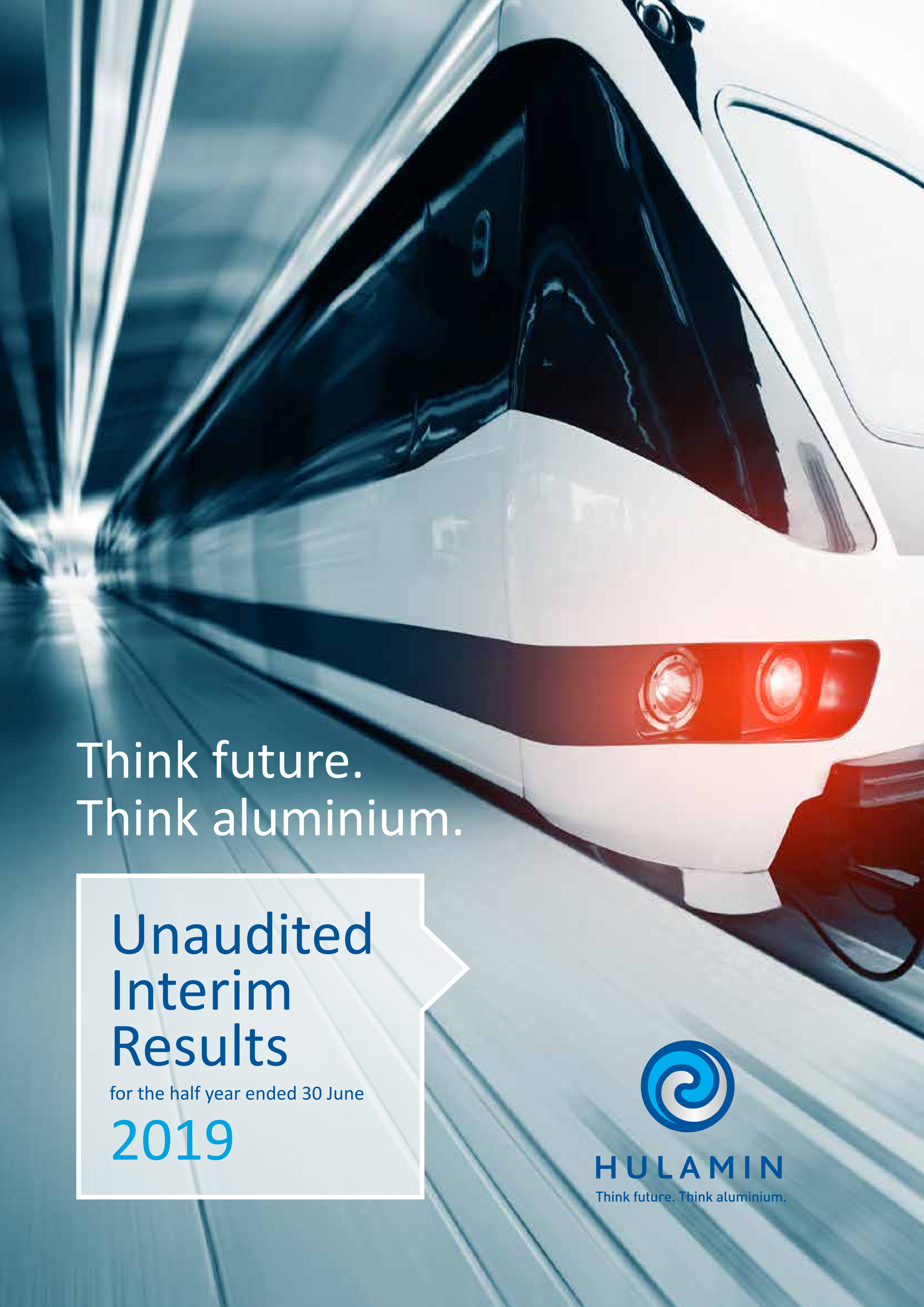

Think future.
Think aluminium.

Unaudited Interim Results

for the half year ended 30 June

2019

HULAMIN

Think future. Think aluminium.

Highlights

Revenue decreased by 1% to **R5.25 billion**

Headline earnings down 174% to a loss of R63 million, impacted by losses in Hulamin Extrusions, restructuring costs and a negative metal price lag

Normalised headline earnings[(1)] per share of **10 cents** (down 9 cents per share)

Negative free cash flow[(2)] of **R168 million**, due to build of inventory

Balance sheet remains robust, with net debt to equity of **16%**

Turnaround actions in progress

RICHARD JACOB, HULAMIN'S CHIEF EXECUTIVE OFFICER, COMMENTED:

"Hulamin experienced challenging trading conditions during the first six months of 2019. Export sales to the United States were disrupted by blockages in our distribution channel, customer overstocking, and a softening underlying market. This disturbed the balance between material purchases and sales resulting in an increase in work-in-progress and finished goods stocks, and the consequent absorption of cash. We have taken the required corrective actions and as a result, working capital reduction has already become evident.

Hulamin Extrusions suffered a first-half loss, which includes a provision for restructuring costs. Sales volumes were lower following an equipment malfunction and the consequent disruption to production. We are making good progress in rightsizing the business to achieve a lower unit cost base; turning the losses around and releasing cash.

We are taking action to improve profitability levels in the months ahead through cost reductions and actions to achieve higher sales volumes and prices."

ENQUIRIES

Hulamin	**033 395 6911**
Richard Jacob, CEO	**082 806 4068**
Anton Krull, CFO	**071 361 0622**
Ayanda Mngadi, Group Executive Corporate Affairs	**061 284 1289**

Commentary

Hulamin experienced a difficult trading period in the first half of 2019. Sales of rolled products weakened in both the local automotive and engineering sectors and the USA market. This was due to distribution channel blockages in North America, a cyclical slowdown in automotive demand and ongoing recessionary conditions in the South African market. It appears that the US distribution blockages may be temporary; underlying customer demand for Hulamin's products remains healthy.

Sales volumes were 4% lower at 109 000 tons, although the impact on profit was more severe due to the reduction being mostly in Hulamin's higher margin products. Sales in Hulamin Rolled Products were 206 000 tons (annualised), down from the 214 000 tons (annualised) recorded in the first half of 2018 ("H1 2018"). Revenue was, however, in line with H1 2018 at R5.25 billion (the weaker Rand/US Dollar offsetting the lower volumes).

Sales volumes slowed from the end of Q1, when blockages and overstocking in Hulamin's USA distribution channel became apparent. Underlying market conditions also began to soften in North America, aggravated by customers embarking on destocking programmes.

The rate at which sales demand slowed, combined with existing metal order commitments, resulted in an overstocked situation in the business. Metal inventories ended the period about 15 000 tons above normal levels, resulting in an increase in borrowings.

Following rising environmental concerns regarding substitute packaging materials such as plastics, demand for aluminium beverage can stock is increasing, resulting in an improving outlook in Hulamin's international can stock markets. We are currently contracting with customers at higher volumes and prices (volumes are rapidly approaching our maximum can stock manufacturing capacity). Our can stock resale programme is also showing strong growth, with sales in excess of 12 000 tons likely in 2019.

Although most key performance indicators (other than inventory) remained close to previous levels, steady throughput flow became problematic. This is necessary for high productivity and yield as well as low unit cost. This resulted from an unbalanced order book (demand in excess of available capacity in certain products and insufficient orders for other products) as well as a minor disruption to continuity arising from load curtailment in the first quarter. Safety performance remained at previous high levels.

While Hulamin is not a producer of primary aluminium, short-term movements in the price of aluminium affect profits by way of a flow-through effect known as the metal price lag. Hulamin hedges 50% of the Rand metal price lag impact. From the third quarter of 2018, the London Metals exchange price of aluminium has fallen USD 300 per ton, resulting in a metal price lag loss, net of hedging, of R53 million.

Hulamin Extrusions, being confined to supplying only the weak regional market, remained under pressure. Following the production disruption caused by an equipment malfunction, losses were incurred in the first quarter. In addition, Hulamin Extrusions' cost base, at prevailing market prices, is not sustainable. As a result, we have taken the decision to restructure the business to reduce cost. Letters in line with Section 189 of the Labour Relations Act were issued to employees in May. This process is nearing completion; we have started implementing a turnaround plan focusing on cost reduction and product differentiation. An Extrusions turnaround management team has been put in place. Under their leadership, improvements are proceeding according to plan. Barring once-off costs, Extrusions is forecast to break even in the second half of 2019 and return to healthy levels of profitability and cash flows in 2020. Working capital is being reduced and assets sales are underway.

Group profitability was therefore severely impacted by losses in Hulamin Extrusions, the metal price lag loss, once-off costs and provisions and the reduction in Rolled Products' sales volumes. This was partially offset by a weaker Rand against the US Dollar, which averaged R14.20 in the first half of 2019 in comparison to R12.30 in the previous corresponding period.

Earnings before interest and taxation ("EBIT") decreased by 149% to an operating loss of R78 million. Normalised EBIT(1) was 59% lower than the previous corresponding period at R52 million. Net interest charges decreased by 29% to R26 million, as a result of lower average borrowings. A net loss of R73 million was recorded for the six months under review.

Free cash flow(2) amounted to an outflow of R168 million, largely as a result of the increase in inventory.

Net borrowings increased to R541 million. Hulamin has unutilised committed revolving funding facilities of R949 million at period end. Net debt to equity increased to 16%, impacted by the increase in borrowings and the adoption of IFRS 16, the new financial reporting standard on leases, which has resulted in the recognition of lease liabilities of R55 million.

Dividends are only considered on an annual basis; no interim dividend was declared.

CHANGES IN DIRECTORATE

During the current period, the board of directors announced the retirement of Mr PH Staude. No new appointments were made.

TURNAROUND ACTIONS

Commencing in quarter two, management has begun implementing a turnaround plan with the following objectives:

- Cost reduction
- Improving distribution channels, in order to increase sales volumes and improve selling prices
- Releasing cash from working capital (inventory reduction)

These actions are underway and will continue over the balance of the second half.

Commentary continued

ISIZINDA

Hulamin and Bingelela jointly own the slab cast house adjacent to the Hillside aluminium smelter in Richards Bay. This cast house also holds assets for rim alloy, extrusion billet and aluminium rod production. Hulamin and Bingelela have reached an agreement for Hulamin to procure the rolling slab assets from Isizinda.

PROSPECTS

Hulamin expects the turnaround actions to gain momentum in the second half, and these are forecast to start yielding ongoing benefits from 2020. Order books for Rolled Products are filling for the balance of the year and are only likely to normalise during the fourth quarter (for 2020) as contracting with our North American customers gains momentum. The Rand has weakened above R15.00 to the US Dollar since the stronger levels experienced in the first quarter. Should these weaker levels persist, we expect this to support an improvement in underlying financial performance in the second half. However, a number of non-recurring costs are expected to be incurred to realise the savings and rationalisations described above.

TP Leeuw
Chairman

RG Jacob
Chief Executive Officer

Pietermaritzburg
21 August 2019

(1) The presentation of normalised EBIT and normalised headline earnings is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies. The determination of normalised EBIT and normalised headline earnings is set out in note 3 to the condensed consolidated financial statements.

(2) The cash flow generated from operations and cash flow from investing activities, which equates to cash flows before financing activities of Hulamin ("free cash flow"), was impacted in the fourth quarter of 2018 by a customer payment of R208 million that was due to the group and was fully authorised by the customer and scheduled to be paid on 31 December 2018 but was only concluded in early January 2019. The directors of Hulamin felt that this anomaly misrepresented the group's cash flows for the 2018 financial year and therefore presented an additional measure in the 2018 results, "free cash flow (adjusted)", which represented free cash flow adjusted for the impact of the inclusion of the customer payment referred to above. Free cash flow in the current period, excluding this customer payment, would have amounted to an outflow of R376 million.

Condensed consolidated statement of profit or loss

	Notes	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Revenue from contracts with customers		**5 247 087**	5 290 381	11 533 818
Cost of sale of goods		**(4 902 994)**	(4 837 101)	(10 583 507)
Cost of providing services		**(24 137)**	(32 542)	(82 422)
Gross profit		**319 956**	420 738	867 889
Selling, marketing and distribution expenses		**(247 639)**	(253 821)	(448 237)
Administrative and other expenses		**(102 412)**	(89 346)	(194 806)
Impairment of property, plant and equipment and intangible assets	4	**(13 032)**	–	(1 450 814)
Net impairment (losses)/reversal on financial assets		**(176)**	19	(671)
Restructuring costs	5	**(37 632)**	–	–
Gains and losses on financial instruments related to trading activities	6	**3 619**	80 913	276 963
Other gains and losses		**(410)**	–	(231)
Operating (loss)/profit		**(77 726)**	158 503	(949 907)
Interest income		**665**	941	3 887
Interest expense		**(26 640)**	(37 642)	(77 588)
(Loss)/profit before tax		**(103 701)**	121 802	(1 023 608)
Taxation	7	**30 516**	(37 049)	250 197
Net (loss)/profit for the period attributable to ordinary shareholders of the company		**(73 185)**	84 753	(773 411)
Earnings per share attributable to the ordinary equity holders of the company (cents)	3			
Basic		**(23)**	27	(242)
Diluted		**(22)**	26	(236)

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

Condensed consolidated statement of comprehensive income

	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Net (loss)/profit for the period attributable to ordinary shareholders of the company	**(73 185)**	84 753	(773 411)
Other comprehensive income/(loss) for the period	**53 913**	(91 788)	(22 825)
Items that may be reclassified subsequently to profit or loss:	**53 855**	(90 317)	(46 279)
Cash flow hedges transferred to statement of profit or loss	**(8 224)**	(89 014)	85 776
Cash flow hedges created/(reversed)	**58 545**	(36 426)	(150 053)
Cost of hedging**	**24 478**	–	–
Income tax effect of the above	**(20 944)**	35 123	17 998
Items that will not be reclassified to profit or loss:	**58**	(1 471)	23 454
Remeasurement of retirement benefit obligation	**–**	933	33 395
Remeasurement of retirement benefit asset	**80**	(2 976)	(2 448)
Income tax effect of the above	**(22)**	572	(7 493)
Total comprehensive loss for the period attributable to ordinary shareholders of the company	**(19 272)**	(7 035)	(796 236)

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

** *See note 14(b) for the details resulting from the adoption of IFRS 9, 'Financial Instruments': Hedge Accounting.*

Condensed consolidated statement of financial position

	Notes	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
ASSETS				
Non-current assets				
Property, plant and equipment		**1 960 668**	3 311 540	1 901 794
Right-of-use assets	14(a)	**53 492**	–	–
Intangible assets		**38 063**	55 111	43 136
Retirement benefit asset		**117 779**	129 717	133 860
Deferred tax asset		**63 219**	46 676	17 060
		2 233 221	3 543 044	2 095 850
Current assets				
Inventories		**2 635 849**	2 219 908	2 262 547
Trade and other receivables		**1 085 111**	1 312 947	1 530 279
Derivative financial assets		**101 083**	34 546	71 281
Cash and cash equivalents		**84 115**	75 843	525 981
Income tax asset		**5 876**	40 075	18 992
		3 912 034	3 683 319	4 409 080
Non-current asset held for sale	8	**23 165**	6 529	6 529
Total assets		**6 168 420**	7 232 892	6 511 459
EQUITY				
Stated capital and consolidation shares		**1 817 580**	1 817 580	1 817 580
Treasury shares		**(7 261)**	–	–
BEE reserve		**51 776**	51 776	51 776
Employee share-based payment reserve		**55 186**	59 707	57 914
Hedging reserve		**47 575**	(50 318)	(6 280)
Retained earnings		**1 749 105**	2 713 501	1 881 631
Total equity		**3 713 961**	4 592 246	3 802 621
LIABILITIES				
Non-current liabilities				
Non-current borrowings		**27 000**	81 000	54 000
Lease liabilities	14(a)	**39 768**	–	–
Deferred tax liability		**242 466**	593 714	221 060
Retirement benefit obligations		**261 036**	276 149	251 738
		570 270	950 863	526 798
Current liabilities				
Trade and other payables		**1 242 178**	1 260 383	1 380 209
Current borrowings		**598 601**	292 253	765 783
Lease liabilities	14(a)	**14 807**	–	–
Derivative financial liabilities		**28 603**	135 323	34 011
Income tax liability		**–**	1 824	2 037
		1 884 189	1 689 783	2 182 040
Total liabilities		**2 454 459**	2 640 646	2 708 838
Total equity and liabilities		**6 168 420**	7 232 892	6 511 459
Net debt to equity (%)		**16**	6	8

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

Condensed consolidated statement of changes in equity

	Stated capital and consolidation shares R'000 A	Treasury shares R'000 B	Hedging reserve R'000 C	Employee share-based payment reserve R'000 D	BEE reserve R'000 E	Retained earnings R'000 F	Total equity R'000
Restated balance at 31 December 2017	1 817 580	–	39 999	71 201	51 776	2 668 121	4 648 677
Impact of adoption of new standards	–	–	–		–	196	196
Balance at 1 January 2018 – Unaudited	1 817 580	–	39 999	71 201	51 776	2 668 317	4 648 873
Correction of prior period errors*	–	–	–	–	–	(49)	(49)
Restated balance at 1 January 2018 – Audited	1 817 580	–	39 999	71 201	51 776	2 668 268	4 648 824
Net profit for the period	–	–	–	–	–	41 561	41 561
Other comprehensive income net of tax	–	–	(47 125)	–	–	(1 471)	(48 596)
Equity-settled share-based payment scheme	–	–	–	(11 494)	–	10 453	(1 041)
Dividends paid	–	–	–	–	–	(48 502)	48 502)
Correction of prior period errors*	–	–	(43 192)	–	–	43 192	–
Balance at 30 June 2018 – Unaudited restated	1 817 580	–	(50 318)	59 707	51 776	2 713 501	4 592 246
Net loss for the period	–	–	–	–	–	(858 164)	(858 164)
Other comprehensive income net of tax	–	–	44 038	–	–	24 925	68 963
Equity-settled share-based payment scheme	–	–	–	(1 793)	–	1 369	(424)
Balance at 31 December 2018 – Audited	1 817 580	–	(6 280)	57 914	51 776	1 881 631	3 802 621
Net loss for the period	**–**	**–**	**–**	**–**	**–**	**(73 185)**	**(73 185)**
Other comprehensive income net of tax	**–**	**–**	**53 855**	**–**	**–**	**58**	**53 913**
Equity-settled share-based payment scheme	**–**	**–**	**–**	**(2 728)**	**–**	**(1 197)**	**(3 925)**
Acquisition of treasury shares	**–**	**(7 261)**	**–**	**–**	**–**	**–**	**(7 261)**
Dividends paid	**–**	**–**	**–**	**–**	**–**	**(58 202)**	**(58 202)**
Balance at 30 June 2019 – Unaudited	**1 817 580**	**(7 261)**	**47 575**	**55 186**	**51 776**	**1 749 105**	**3 713 961**

NOTES

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.

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.

C: Hedging reserve
The hedging reserve is used to record gains or losses on derivatives that are considered to effective. Amounts are reclassified to profit or loss when the associated hedge items affects profit or loss.

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.

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.

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

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

Condensed consolidated cash flow statement

	Notes	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash (utilised)/generated from operations	A	**1 184**	227 985	485 791
Interest paid		**(26 911)**	(40 443)	(84 378)
Interest received		**665**	941	3 887
Income tax paid		**(4 882)**	(14 962)	(73 682)
		(29 944)	173 521	331 618
Cash flows from investing activities				
Additions to property, plant and equipment		**(136 341)**	(98 951)	(210 538)
Additions to intangible assets		**(1 367)**	–	(31 206)
		(137 708)	(98 951)	(241 744)
Cash flows before financing activities ("free cash flow")		**(167 652)**	74 570	89 874
Cash flows from financing activities				
Repayment of current portion of non-current borrowings		**(27 000)**	(27 000)	(54 000)
Net (repayment of)/proceeds from current borrowings**		**(167 182)**	(28 446)	445 084
Settlement of share options		**(305)**	(9 231)	(9 230)
Lease payments		**(9 045)**	–	–
Dividends paid		**(58 202)**	(48 502)	(48 502)
Acquisition of treasury shares		**(7 261)**	–	–
		(268 995)	(113 179)	333 353
Net (decrease)/increase in cash and cash equivalents		**(436 647)**	(38 609)	423 226
Cash and cash equivalents at beginning of period		**525 981**	111 472	111 472
Effects of exchange rate changes on cash and cash equivalents		**(5 219)**	2 980	(8 717)
Cash and cash equivalents at end of period		**84 115**	75 843	525 981
A: **CASH (UTILISED)/GENERATED FROM OPERATIONS**				
(Loss)/profit before tax		**(103 701)**	121 802	(1 023 608)
Net interest cost		**25 975**	36 701	73 701
Operating (loss)/profit		**(77 726)**	158 503	(949 907)
Adjust for non-cash flow items:				
Depreciation		**58 629**	114 804	222 271
Amortisation of intangible assets		**6 068**	9 033	19 003
Loss on disposal of property, plant and equipment		**410**	–	231
Impairment of property, plant and equipment and intangible assets		**13 032**	–	1 450 814
Net movement in retirement benefit asset and obligations		**25 298**	4 676	9 112
Value of employee services received under share schemes		**(2 575)**	11 567	10 008
Fair value changes on derivatives		**39 590**	75 836	(1 048)
Foreign exchange gains on cash and cash equivalents		**5 219**	(2 980)	8 717
Currency exchange translation on foreign debtors and creditors		**(14 885)**	74 968	(95 990)
Other non-cash items		**(594)**	11	149
Cash generated before working capital changes		**52 466**	446 418	673 360
Changes in working capital	B	**(51 282)**	(218 433)	(187 569)
Cash generated from operations		**1 184**	227 985	485 791
B: **CHANGES IN WORKING CAPITAL**				
Increase in inventories		**(373 302)**	(69 847)	(112 486)
Decrease/(increase) in trade and other receivables		**462 841**	(135 441)	(189 137)
(Decrease)/increase in trade and other payables		**(140 821)**	(13 145)	114 054
		(51 282)	(218 433)	(187 569)

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

** *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 condensed financial statements

1. BASIS OF PREPARATION OF HALF YEAR-END REPORT

The condensed consolidated interim financial information of the group for the six months ended 30 June 2019 has been prepared in accordance with IAS 34, 'Interim Financial Reporting', the Companies Act 71 of 2008, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and the financial pronouncements as issued by the Financial Reporting Standards Council, under the supervision of the Chief Financial Officer, Mr AP Krull CA(SA). The condensed consolidated financial statements are prepared in thousands of South African Rand (R'000) on the historical cost basis, except for the measurement of financial instruments, the valuation of share based payments, non-current assets held for sale and retirement benefit assets and obligations. The condensed consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the group's 2018 annual financial statements, which have been prepared in accordance with International Financial Reporting Standards, and any public announcements made by the group during the interim reporting period.

The accounting policies adopted are in terms of International Financial Reporting Standards and are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the group

A number of new standards, amendments and interpretations became applicable for the current reporting period:

- IFRS 16, 'Leases'
- IFRS 9, 'Financial Instruments': hedge accounting

The impact of the adoption of IFRS 16, 'Leases' and IFRS 9, 'Financial Instruments': hedge accounting is disclosed in note 14. Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the interim condensed consolidated financial statements of the group.

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

The following amendments were issued but are not yet effective and have not been early adopted. These amendments are not expected to have a material impact on the group:

- Amendments to IFRS 3, 'Definition of a Business'
- Amendments to IAS 1 and IAS 8, 'Definition of Material'
- Amendments to References to the Conceptual Framework in IFRS Standards.

2. SIGNIFICANT CHANGES IN THE CURRENT REPORTING PERIOD

The significant events and transactions that have impacted the interim results for the half-year ended 30 June 2019 are detailed in the commentary included with these condensed financial statements.

3. REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS

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. These reportable segments are based on business segments which are reflected in 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. The Hulamin Extrusions segment manufactures and supplies extruded aluminium products. Isizinda Aluminium (Pty) Ltd supplies slab to Hulamin Rolled Products. The activities of Isizinda Aluminium are integrated into the Hulamin Rolled Products segment. Reportable segments are based and managed in South Africa

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. The amounts provided to the Hulamin Executive Committee with respect to segment revenue and assets are measured in a consistent manner with that of the financial statements.

Notes to the condensed financial statements continued

(a) Segmental revenue, earnings and other disclosures

	Unaudited Half-year 30 June 2019			Unaudited Restated* Half-year 30 June 2018			Unaudited Year ended 31 December 2018		
	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	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	**4 867 726**	**379 361**	**5 247 087**	4 861 782	428 599	5 290 381	10 640 844	892 974	11 533 818
Timing of revenue recognition:									
– At a point in time	**4 843 589**	**379 361**	**5 222 950**	4 829 240	428 599	5 257 839	10 558 422	892 974	11 451 396
– Over time	**24 137**	**–**	**24 137**	32 542	–	32 542	82 422	–	82 422
Earnings									
EBITDA***	**68 075**	**(68 072)**	**3**	283 586	(1 246)	282 340	745 198	(3 017)	742 181
Impairment of property, plant and equipment and intangibles	**(13 032)**	**–**	**(13 032)**	–	–	–	(1 376 319)	(74 495)	(1 450 814)
Depreciation and amortisation	**(58 405)**	**(6 292)**	**(64 697)**	(110 808)	(13 029)	(123 837)	(215 329)	(25 945)	(241 274)
Operating (loss)/profit	**(3 362)**	**(74 364)**	**(77 726)**	172 778	(14 275)	158 503	(846 450)	(103 457)	(949 907)
Interest received	**665**	**–**	**665**	901	40	941	3 847	40	3 887
Interest paid	**(22 814)**	**(3 826)**	**(26 640)**	(35 907)	(1 735)	(37 642)	(77 582)	(6)	(77 588)
(Loss)/profit before tax	**(25 511)**	**(78 190)**	**(103 701)**	137 772	(15 970)	121 802	(920 185)	(103 423)	(1 023 608)
Taxation	**5 045**	**25 471**	**30 516**	(41 520)	4 471	(37 049)	252 423	(2 226)	250 197
Net (loss)/profit for the year	**(20 466)**	**(52 719)**	**(73 185)**	96 252	(11 499)	84 753	(667 762)	(105 649)	(773 411)
Reconciliation of net (loss)/profit (used in calculating earnings per share) to headline earnings									
Net (loss)/profit for the year	**(20 466)**	**(52 719)**	**(73 185)**	96 252	(11 499)	84 753	(667 762)	(105 649)	(773 411)
Loss on disposal of property, plant and equipment	**410**	**–**	**410**	–	–	–	231	–	231
Impairment of property, plant and equipment and intangible assets	**13 032**	**–**	**13 032**	–	–	–	1 376 319	74 495	1 450 814
Tax effect	**(3 034)**	**–**	**(3 034)**	–	–	–	(385 434)	–	(385 434)
Headline (loss)/earnings for the year	**(10 058)**	**(52 719)**	**(62 777)**	96 252	(11 499)	84 753	323 354	(31 154)	292 200
Reconciliation of headline earnings to normalised EBITDA* **									
Headline (loss)/earnings for the year	**(10 058)**	**(52 719)**	**(62 777)**	96 252	(11 499)	84 753	323 354	(31 154)	292 200
Limitation of IAS 39, "Financial Instruments" resulting in highly effective commodity risk management programme not qualifying for hedge accounting	**24 835**	**–**	**24 835**	(56 956)	–	(56 956)	(60 921)	–	(60 921)
Restructuring cost	**–**	**37 632**	**37 632**				–	–	–
Metal price lag	**53 498**	**–**	**53 498**	25 076	–	25 076	(3 507)	–	(3 507)
Tax effect	**(21 933)**	**–**	**(21 933)**	8 926	–	8 926	18 040	–	18 040
Normalised headline earnings (note A)	**46 342**	**(15 087)**	**31 255**	73 298	(11 499)	61 799	276 966	(31 154)	245 812
Interest paid	**22 814**	**3 826**	**26 640**	35 907	1 735	37 642	77 582	6	77 588
Interest received	**(665)**	**–**	**(665)**	(901)	(40)	(941)	(3 847)	(40)	(3 887)
Taxation	**19 922**	**(25 471)**	**(5 549)**	32 594	(4 471)	28 123	114 971	2 226	117 197

3. REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

	Unaudited Half-year 30 June 2019			Unaudited Restated* Half-year 30 June 2018			Unaudited Year ended 31 December 2018		
	Hulamin Rolled Products R'000	**Hulamin Extrusions R'000**	**Group R'000**	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000	Hulamin Rolled Products R'000	Hulamin Extrusions R'000	Group R'000
Normalised EBIT (note A)**	**88 413**	**(36 732)**	**51 681**	140 898	(14 275)	126 623	465 672	(28 961)	436 711
Depreciation and amortisation	**58 405**	**6 292**	**64 697**	110 808	13 029	123 837	215 329	25 945	241 274
Normalised EBITDA* (note A)**	**146 818**	**(30 440)**	**116 378**	251 706	(1 246)	250 460	681 001	(3 016)	677 985
Total assets	**5 813 865**	**354 555**	**6 168 420**	6 805 487	427 406	7 232 893	6 194 109	317 350	6 511 459
Total liabilities	**2 261 773**	**192 686**	**2 454 459**	2 519 201	121 445	2 640 646	2 605 848	102 990	2 708 838
Other disclosures									
Additions to property, plant and equipment and intangible assets	**127 943**	**9 765**	**137 708**	86 015	12 936	98 951	215 248	26 496	241 744
Dividend declared (cents per share)			**–**			–			18
Currency conversion									
Rand/US dollar average			**14.20**			12.30			13.25
Rand/US dollar closing			**14.17**			13.71			14.43

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

Sales to the largest five customers of the Hulamin Rolled Products segment in the 6 months ended June 2019 accounted for 54% of total group revenue.

* *See note 13 for the details about the restatement resulting from the correction of prior period errors.*

** *Earnings before interest and taxation*

*** *Earnings before interest, taxation, depreciation and amortisation and impairment of property, plant and intangible assets. The presentation of EBITDA is not an IFRS requirement and may not be directly comparable with the same or similar measures disclosed by other companies.*

Notes to the condensed financial statements continued

3. REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

Earnings per share, headline earnings per share and normalised earnings per share

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:

	Number of shares June 2019	Number of shares June 2018	Number of shares December 2018
Weighted average number of shares used for basic EPS			
Share options	**319 157 146**	319 596 836	319 596 836
Weighted average number of shares used for diluted EPS	**7 134 498**	7 093 154	7 807 318
	326 291 644	326 689 990	327 404 154

	Notes	**Unaudited Half-year 30 June 2019**	Unaudited Restated* Half-year 30 June 2018	Audited Year ended 31 December 2018
Headline earnings per share attributable to the ordinary equity holders of the company (cents)	A			
Basic		**(20)**	27	91
Diluted		**(19)**	26	89
Normalised headline earnings per share attributable to the ordinary equity holders of the company (cents)	A			
Basic		**10**	19	77
Diluted		**10**	19	75

** See note 13 for the details about the restatement resulting from the correction of prior period errors.*

A: Headline earnings per share and normalised earnings per share

Headline earnings per share is calculated using the weighted average number of ordinary shares in issue during the year and is based on the earnings attributable to ordinary shareholders, after excluding those items as required by Circular 4/2018 issued by the South African Institute of Chartered Accountants (SAICA).

Normalised 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 2018 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.

Notes to the condensed financial statements continued

3. REPORTABLE SEGMENT ANALYSIS AND REVENUE FROM CONTRACTS WITH CUSTOMERS CONTINUED

(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.

	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Analysis of revenue by product market			
Automotive and transport	**1 269 702**	1 330 619	1 400 396
Building and construction	**141 427**	134 812	263 180
General engineering	**1 188 447**	1 550 455	4 907 080
Packaging	**2 647 511**	2 274 495	4 963 162
	5 247 087	5 290 381	11 533 818
Geographical analysis of revenue			
South Africa	**2 423 336**	2 225 924	4 691 267
North America	**1 144 844**	1 359 226	3 308 552
Europe	**1 185 506**	1 100 873	2 407 609
Asia	**204 570**	269 101	462 290
Middle East	**23 691**	131 258	239 362
Australasia	**35 237**	61 103	77 779
South America	**107 832**	125 144	320 948
Rest of Africa	**122 071**	17 752	26 011
	5 247 087	5 290 381	11 533 818

** See note 13 for the details about the restatement resulting from the correction of prior period errors.*

4. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
The impairment charges recognised in the income statement are as follows:			
Isizinda Aluminium property, plant and equipment – note (a)	**13 032**	–	–
Rolled Products cash-generating unit – note (b)	**–**	–	1 376 319
Extrusions cash-generating unit – note (b)	**–**	–	74 495
Total impairment charge	**13 032**	–	1 450 814

(a) Isizinda Aluminium property, plant and equipment

The two shareholders of Isizinda Aluminium Proprietary Limited ("Isizinda"), Bingelela Capital and Hulamin Operations (Pty) Ltd, have agreed on a restructure of Isizinda whereby, *inter alia*, Hulamin has purchased the rolling slab casting business and assets from Isizinda, subject to regulatory approval, and entered into a lease agreement with Isizinda to continue operating this casting facility. The shareholders of Isizinda have also agreed to pursue the sale of the property, subject to Isizinda's continued right of occupation in respect of the property, once the subdivision of this property from a larger site owned by South32 has been concluded.

The decision to restructure the business served as an indicator for impairment. An impairment test was conducted and it was determined that the carrying amount of land and buildings exceeds the recoverable value of the property. The property was thus impaired to reflect its recoverable amount, which in this case represents the fair value less costs to sell. The recoverable amount was determined to be R68.7 million. The fair value of the property is level 2 in the valuation hierarchy. The fair value of the property was determined with reference to market-related rental prices per square metre, accepted vacancy rates and maintenance costs per square metre. An independent valuator was used to determine the fair value less costs to sell.

Notes to the condensed financial statements continued

4. IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS CONTINUED

(b) Cash-generating unit impairment assessment

The group's shares continued to trade on the Johannesburg Stock Exchange at a discount to underlying net asset value during the period under review. In the circumstances, management have assessed the recoverable amounts of the assets (or cash-generating units to which they belong) at the period end.

The recoverable amount of these assets at 30 June 2019 was above the carrying amount and no impairment charge is thus required. A reversal of the December 2018 impairment charge is also not required. In the prior financial year, the carrying value of property, plant and equipment and intangible asset balances relating to the Rolled Products cash-generating unit exceeded the recoverable amount by R1 376 million and an impairment charge was recognised. Similarly, for the Extrusions cash-generating unit, an impairment charge of R74 million was recognised in the prior year.

5. RESTRUCTURING COSTS

The Hulamin Extrusions business has been negatively impacted in recent years by increasing competition from Chinese extrusion imports, rising operating costs and overheads and the failure of key operating assets, leading to the business incurring significant losses in both the current period and the prior financial year. As a consequence, the business commenced a consultation process with employees in May 2019 relating to the proposed closure of its Olifantsfontein operation and the restructuring of its Pietermaritzburg operation. An agreement with employees and union representatives is expected to be reached in August 2019, which will specify the number of employees affected and the amounts payable to those made redundant. Until this agreement is reached, the number of employees and the amounts payable remain uncertain.

The total employee restructuring costs to be incurred is estimated to be R37.6 million. The nature of other direct costs attributable to the restructuring will depend on the manner in which the Olifantsfontein operations is closed and assets disposed of.

6. GAINS 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 changes in fair value of certain derivative financial instruments. Hedges of forecast sales transactions are accounted for as cash flow hedges.

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

Gains and losses on financial instruments related to trading activities reflect the fair value adjustments arising from non-hedge accounted derivative financial instruments (ineffective portion of cash flow hedge gains and losses), non-derivative financial instruments and forward point gains.

	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Valuation adjustments on non-derivative items	**(19 996)**	70 425	87 274
Valuation adjustments on derivative items**	**23 615**	10 488	189 689
	3 619	80 913	276 963
** Included in the above, for the periods ending 30 June 2018 and 31 December 2018 are fair value adjustments arising from commodity futures used to hedge the metal price lag	**(14 769)**	28 020	134 649

** See note 13 for the details about the restatement resulting from the correction of prior period errors.*

Whilst Hulamin's commodity risk management strategy is effective in mitigating the impact of metal price lag, this was considered ineffective for the purposes of hedge accounting in terms of IAS 39. Accordingly, in the periods ended 30 June 2018 and 31 December 2018, the fair value movements arising from commodity futures have not been included in the hedge reserve (where the sale has not yet occurred) or in revenue (where the sale has occurred) to match against the gross metal price lag included in gross profit. Hulamin adopted the hedge accounting provisions of the new financial instruments standard IFRS 9 in 2019, which overcomes the limitations of IAS 39 (refer note 14).

Notes to the condensed financial statements continued

7. TAXATION

The group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Unaudited Half-year 30 June 2019 R'000	Unaudited Restated* Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Normal	**15 538**	14 657	94 869
Deferred	**(46 054)**	22 392	(345 066)
	(30 516)	37 049	(250 197)

** See note 13 for the details about the restatement resulting from the correction of prior period errors.*

A deferred tax asset is recognised for all deductible temporary difference to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Similarly, a deferred tax asset is recognised for the carry forward of unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilised. For the year ended 31 December 2018, Hulamin Extrusions had both an assessed loss 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.

During the six month reporting period, the plan to restructure the Extrusions business was approved by the board and visible actions have been put in place to turn the business around. Management has performed a robust assessment of future cash flows and taxable profits and is of the view that there is sufficient taxable profit to absorb a portion of the asset.

The impact of this has resulted in the recognition of a deferred tax asset of R25 million, with a remaining R39 million being unrecognised.

		Unaudited Half-year 30 June 2019 R'000	Unaudited Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
8. NON-CURRENT ASSETS HELD FOR SALE				
Investment in associate	A	**6 529**	6 529	6 529
Property, plant and equipment	B	**16 636**	–	–
		23 165	6 529	6 529

A: The group concluded a sale of its 49% interest in Almin Metal Industries Limited in 2017. The sale is pending approval from the Zimbabwean Regulatory Authorities.

B: In May 2019, Hulamin Extrusions announced the proposed restructuring of its business operations which includes the disposal of the property, plant and equipment of its Olifantsfontein operation (refer to note 5 for further detail).

As the restructure served as an indicator for impairment, the Extrusions CGU, to which the Olifantsfontein plant belongs was tested for impairment. The carrying amount of the CGU was determined to be lower than its recoverable amount, thus no impairment was recognised.

It was further determined that the assets relating to the Olifantsfontein plant were going to be recovered principally through sale than through use. The sale of these assets is highly probable. The Board of Directors has engaged in an active programme to locate a buyer and have committed on a plan to sell the assets. The sale of these assets is 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.

Notes to the condensed financial statements continued

9. RELATED PARTY TRANSACTIONS AND BALANCES

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

	Unaudited Half-year 30 June 2019 R'000	Unaudited Half-year 30 June 2018 R'000	Audited Year ended 31 December 2018 R'000
Loan from pension fund	**–**	76 109	79 635
Interest cost incurred on loan from pension fund	**388**	3 372	6 899

10. COMMITMENTS AND CONTINGENT LIABILITIES

Capital expenditure contracted for but not yet incurred	**127 663**	89 125	174 882

11. EVENTS AFTER THE REPORTING PERIOD

Hulamin Operations (Pty) Ltd, on 5 July 2019, issued a notice to consult with its employees in terms of section 189 of the Labour Relations Act as a result of the company experiencing difficult market conditions and increasing operating costs, which has negatively impacted on its market competitiveness. It is anticipated that the consultation process will be finalised during September 2019.

The proposed restructure of Isizinda, referred to in note 4, includes an agreement whereby a distribution of R50 million is made to Bingelela. This distribution was approved and effected in July 2019.

12. FINANCIAL ASSETS AND LIABILITIES

The classification of financial instruments has not changed since the last reporting date.

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

Financial liabilities (excluding liabilities designated in a hedging relationship) that are not designated on initial recognition as financial liabilities at fair value through profit or loss are measured at amortised cost. These consist of trade and other payables, interest-bearing borrowings and lease liabilities.

The fair values of derivative assets and liabilities are calculated as the difference between the contracted value and the value to maturity at the statement of financial position date. The value to maturity of forward foreign exchange contracts is determined using quoted forward exchange rates at the statement of financial position date. The value to maturity of commodity futures is determined by reference to quoted prices at the statement of financial position date.

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

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

All fair values disclosed in these financial statements are recurring in nature and all derivative financial assets and liabilities are level 2 in the valuation hierarchy (consistent with June 2018 and December 2018). For assets and liabilities that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. Key inputs used in the determination of the fair value relate to London Metal Exchange aluminium prices and currency exchange rates(consistent with June 2018 and December 2018).

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months ended 30 June 2019.

The carrying amount of each financial asset and liability approximates its fair value.

Notes to the condensed financial statements continued

13. RESTATEMENT OF FINANCIAL STATEMENTS – CORRECTION OF PRIOR PERIOD ERRORS

The group adopted IFRS 9, 'Financial Instruments' and IFRS 15, 'Revenue from Contracts with Customers' in the year ended 31 December 2018. When the results for the period ended 30 June 2018 were prepared, certain errors were made which were subsequently corrected at 31 December 2018. For the purposes of preparation of these condensed consolidated financial statements, the numbers that were previously disclosed and the impact of the corrections thereon are disclosed below.

(a) IAS 39, 'Financial Instruments'

The group reviewed the application of hedge accounting in terms of the IAS 39, 'Financial Instruments' standard during the finalisation of the 2018 annual financial statements. This resulted in the restatement of the 2017 annual financial statements following a timing adjustment between the 2017 and 2018 results, and similarly requires a restatement of the previously reported June 2018 results.

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

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

There is no cumulative impact on earnings and also no impact on cash resulting from this restatement. Hulamin's commodity risk management programme is effective. Hulamin adopted the hedge accounting provisions of the new financial instruments standard IFRS 9 from 1 January 2019, which will overcome the limitations of IAS 39.

(b) IFRS 15, 'Revenue from Contracts with Customers'

The group has adopted IFRS 15, 'Revenue from Contracts with Customers' from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The adoption of IFRS 15, 'Revenue from Contracts with Customers' requires the group to identify individual performance obligations. The group has determined that for certain export sales terms the group has two performance obligations, the sale of goods and the provision of transportation services. During the June 2018 comparative period, the costs of providing services were adjusted from cost of sales whilst the actual cost was included in selling, marketing and distribution.

The error had no impact on earnings as it is merely represents a reclassification adjustment.

(c) IFRS 9, 'Financial Instruments' – Impairment

The entity adopted IFRS 9, 'Financial Instruments' on 1 January 2018, apart from the hedge accounting provisions (which were only adopted on 1 January 2019). IFRS 9 was generally adopted without restating comparative information in accordance with the transitional provisions. A retrospective adjustment was made in opening retained earnings on 1 January 2018. The reclassifications and the adjustments arising from the new impairment rules are therefore recognised in the opening statement of financial position on 1 January 2018.

The entity reassessed the accuracy of the impact of the change in accounting policy at year end (31 December 2018) and it was determined that the amount represented in the interim financial statements was inappropriate and thus required restatement.

13. RESTATEMENT OF FINANCIAL STATEMENTS – CORRECTION OF PRIOR PERIOD ERRORS CONTINUED

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

	30 June 2018 as originally presented R'000	[a] IAS 39, 'Financial Instruments' R'000	[b] IFRS 15, 'Revenue from Contracts with Customers' R'000	[c] IFRS 9, 'Financial Instruments' – Impairment R'000	30 June 2018 restated R'000
Statement of financial position (extract)					
Equity					
Hedge Reserve	(35 595)	(14 723)			(50 318)
Retained earnings	2 698 827	14 723		(49)	2 713 501
Assets					
Trade and other receivables	1 312 996			(49)	1 312 947
Statement of profit or loss (extract)					
Revenue	5 262 882	27 499			5 290 381
Cost of sales of goods	(4 869 643)		32 542		(4 837 101)
Selling marketing and distribution of goods	(221 279)		(32 542)		(253 821)
Gains on financial instruments related to trading activities	–	80 913			80 913
Other gains and losses	48 423	(48 423)			–
Income tax expense	(20 252)	(16 797)			(37 049)
Net profit for the year attributable to equity holders of the company	41 561	43 192	–	–	84 753
Statement of comprehensive income (extract)					
Items that may be reclassified subsequently to profit or loss:	(47 125)	(43 192)			(90 317)
Cash flow hedges transferred to income statement	(16 014)	(73 000)			(89 014)
Cash flow hedges created	(49 438)	13 012			(36 426)
Income tax effect	18 327	16 796			35 123

Basic and diluted earnings per share for the prior year have also been restated, resulting in an increase 14 cents and 13 cents respectively.

14. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

This note explains the impact of the adoption of IFRS 16, 'Leases' and IFRS 9, 'Financial Instruments': Hedge Accounting on the group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

(a) IFRS 16, 'Leases'

(i) Impact of adoption

The group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard (modified retrospective approach). The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

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. Extension and termination options are included in a number of property leases across the group and are included in the calculation to determine the value of lease liabilities. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowings.

Historically leases of property, plant and equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at commencement date. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

Notes to the condensed financial statements continued

14. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS CONTINUED

The lease payments are discounted using the incremental borrowing rate, which is the rate that Hulamin would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment.

(ii) Impact on the financial statements

On adoption of IFRS 16, the group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8.8%.

	1 January 2019 R'000
Operating lease commitments disclosed as at 31 December 2018	57 096
Discounted using the lessee's incremental borrowing rate of 8.8% at the date of initial application	47 806
(Less): short-term leases recognised on a straight-line basis as expense	(2 570)
(Less): low-value leases recognised on a straight-line basis as expense	(242)
Add: adjustments as a result of a different treatment of extension and termination options	2 305
Lease liability recognised as at 1 January 2019	47 299
Of which are:	
– Current lease liabilities	12 378
– Non-current lease liabilities	34 921
	47 299

The recognised right-of-use assets relate to the following types of assets:

	30 June 2019 R'000	1 January 2019 R'000
Land and buildings	**6 944**	7 617
Vehicles, equipment and other	**46 548**	39 682
Total right-of-use assets	**53 492**	47 299

The additions to right-of-use assets for the period amounted to R20.5 million.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	31 December 2018 R'000	IFRS 16 adjustment R'000	1 January 2019 R'000
Statement of financial position (extract)			
ASSETS			
Non-current assets			
Right-of-use assets	–	47 299	47 299
Total non-current assets	2 095 850	47 299	2 143 149
Total assets	6 511 459	47 299	6 558 758
LIABILITIES			
Non-current liabilities			
Lease liabilities	–	34 921	34 921
Total non-current liabilities	526 798	34 921	561 719
Current liabilities			
Lease liabilities	–	12 378	12 378
Total current liabilities	2 182 040	12 378	2 194 418
Total liabilities	2 708 838	47 299	2 756 137
Total equity and liabilities	6 511 459	47 299	6 558 758

Notes to the condensed financial statements continued

14. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS CONTINUED

EBITDA, depreciation, interest and segment assets and segment liabilities for June 2019 all increased as a result of the change in accounting policy. The following segments were affected by the change in policy and the impact has been provided:

	EBITDA R'000	Depreciation of right of use assets R'000	Interest expense of lease liabilities R'000	Segment assets R'000	Segment liabilities R'000
Hulamin Rolled products	**8 962**	**7 604**	**2 429**	**51 563**	**52 633**
Hulamin Extrusions	**83**	**66**	**29**	**1 929**	**1 942**
	9 045	**7 670**	**2 458**	**53 492**	**54 575**

Earnings per share decreased by 0.34 cents per share for the six months to 30 June 2019 as a result of the adoption of IFRS 16, 'Leases'.

Lease payments for the six month period ended 30 June 2019 amounted to R9 million.

(iii) Practical expedients applied

In applying IFRS 16 for the first time, the group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics
- reliance on previous assessments on whether leases are onerous
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and IFRIC 4, 'Determining whether an Arrangement contains a Lease'.

(b) IFRS 9, 'Financial Instruments': Hedge Accounting – Impact of adoption

IFRS 9, 'Financial Instruments': Hedge Accounting was generally adopted without restating comparative information in accordance with the transitional provisions.

(i) Derivatives and hedging

IFRS 9, 'Financial Instruments': Hedge Accounting permits separately identifiable and reliably measurable risk components to be eligible as hedge items which was not permitted under IAS 39. Therefore the adoption of IFRS 9 has enabled Hulamin to elect the metal price component of an invoice as the hedge item which has overcome the short comings in measuring hedge effectiveness under IAS 39, referred to in note 13. From 1 January 2019 Hulamin has elected to resume hedge accounting for commodity derivatives.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The change in fair value relating to the ineffective portion is recognised immediately in profit or loss, within gains and losses on financial instruments.

When derivative contracts are used to hedge forecast transactions, the group generally designates only the change in fair value of the derivative contract relating to the spot component as the hedging instrument. Changes in the fair value relating to the effective portion of the change in the spot component of the derivative contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item will either be recognised within other comprehensive income as costs of hedging or through profit and loss.

Gains or losses relating to the change in intrinsic value of options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item are recognised within other comprehensive income as costs of hedging.

Corporate information

HULAMIN LIMITED
Registration number: 1940/013924/06
Share code: HLM
("Hulamin", "the company" or "the group")
ISIN: ZAE000096210

BUSINESS AND POSTAL ADDRESS
Moses Mabhida Road, Pietermaritzburg, 3201; 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
Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196; PO Box 61051, Marshalltown, 2107

SPONSOR
Questco Corporate Advisory Proprietary Limited
First Floor Yellowwood House, Ballywoods Office Park, 33 Ballyclare Drive, Bryanston, Johannesburg, 2055

DIRECTORATE
NON-EXECUTIVE DIRECTORS:
TP Leeuw* (Chairman)
CA Boles*
VN Khumalo
RL Larson*
N Maharajh*
NNA Matyumza*
Dr B Mehlomakulu*
SP Ngwenya
GHM Watson*
GC Zondi#

**Independent non-executive director.*
#Alternate non-executive director.

EXECUTIVE DIRECTORS:
RG Jacob (Chief Executive Officer)
AP Krull (Chief Financial Officer)
MZ Mkhize

COMPANY SECRETARY
W Fitchat

Date of SENS release: 23 August 2019

HULAMIN

Think future. Think aluminium.

www.hulamin.co.za