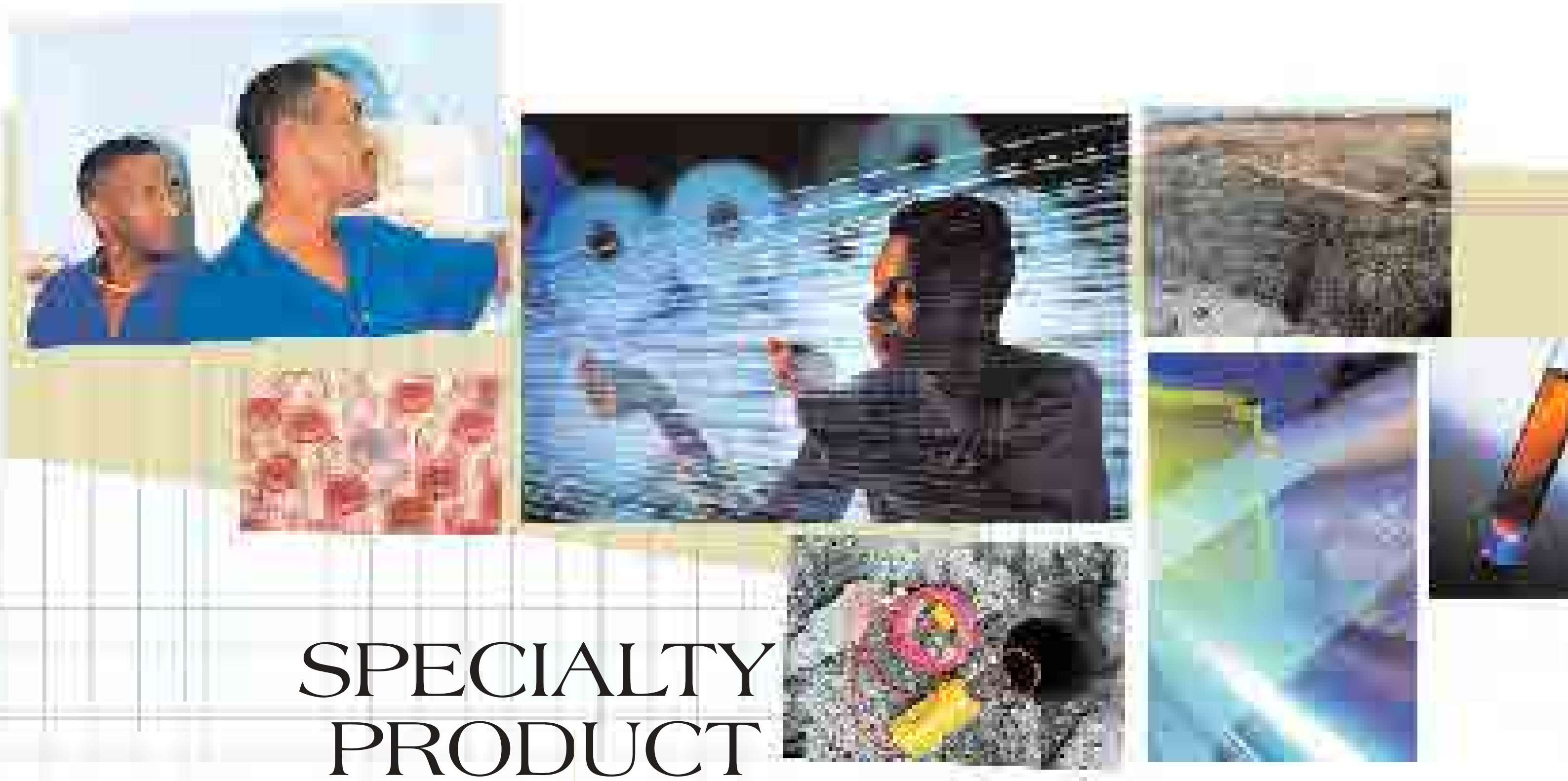


SPECIALTY PRODUCT AND SERVICE SOLUTIONS

AECI

Annual Report 2001

AECI

PROFILE

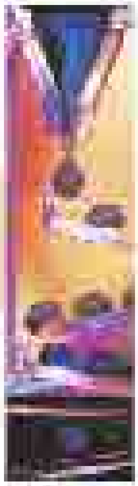
The new AECI is the result of a wide-ranging, three-year Transformation Programme that was completed in 2001. This programme has succeeded in positioning AECI as a **specialty product and service solutions** organisation, based on chemistry.

Serving both global and regional markets, **mining solutions** (explosives and initiating systems), **specialty fibres**, and a diverse range of **specialty chemicals** comprise the three core business clusters of the Group with an emphasis on application know-how and customer service delivery.

The Group's businesses are typically of a low to medium capital nature, operate in niche markets, and are supported by leading international technology alliances.

Although the principal manufacturing sites are located in South Africa near Johannesburg (mining solutions), Cape Town (specialty fibres) and Durban (specialty chemicals), the mining solutions cluster has expanded its presence in Africa and specialty fibres recently commissioned a joint venture manufacturing facility in the USA. The Group has a total employee complement of 8 200, many of whom are engaged in the Group's extensive sales, technical service and distribution networks.

Although non-core, the Group's property operations, carried out by Heartland Properties, are significant and offer prime land holdings for commercial, residential and industrial development.



OUR VALUES

To focus intensely on delivering service excellence to our customers

To operate ethically, with integrity and care for others

To operate safely and with care for the environment and the community

To encourage innovation, nimbleness, teamwork and openness amongst our employees

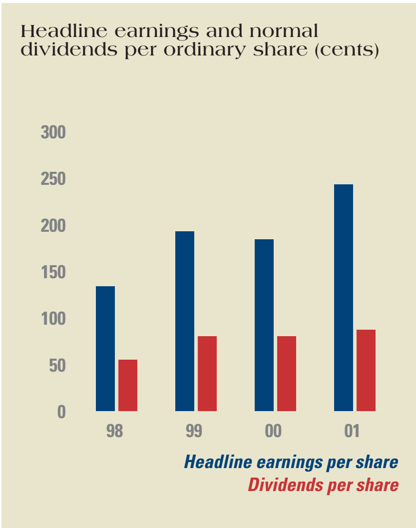
To pursue and reward performance excellence

AECI

GROUP RESULTS AT A GLANCE

for the year ended 31 December 2001

	2001	2000	% change
Revenue (R millions)	**6 745**	6 009	12
Trading profit (R millions)	**492**	474	4
Net trading profit of core businesses (R millions)	**535**	444	20
Headline earnings (R millions)	**226**	285	(21)
Net (loss)/profit attributable to ordinary shareholders (R millions)	**(88)**	244	(136)
Headline earnings per ordinary share (cents)	**243**	184	32
Dividends declared per ordinary share (cents)	**87**	80	9
Market capitalisation (R millions)	**1 780**	2 026	(12)
Trading margin (%)	**7.3**	7.9	
Return on net assets (%)	**13.7**	13.5	
Net borrowings as a percentage of shareholders' interest (%)	**40**	2	



- Transformation complete
- Trading profit of core operations up 20%
- Outlook positive

DIRECTORATE AND MANAGEMENT

BOARD OF DIRECTORS

A E Pedder [1 and 3]
Chairman

Chairman, ELAM-T Limited (UK)
Chairman, Remploy Limited (UK)
Governor and Director, South Bank University (UK)
Director, Baronsmead VCT4 PLC (UK)
Director, SANS Fibres
Director, Huntsman Tioxide SA

L C van Vught [3]
Chief Executive

N C Axelson [2]
Executive Director

C B Brayshaw [2]
Retired Chairman
Deloitte & Touche

E K Diack [2 and 3]
Chief Executive Officer
Industries and Ferrous Metals Divisions
Anglo American PLC

Z M Jakavula
Chief Executive Officer
Spoornet

C M L Savage
Executive Chairman
Tongaat-Hulett Group Limited

V P Uren
Alternate to E K Diack

1 British
2 Member of Audit committee
3 Member of Remuneration committee
4 Member of Executive committee

EXECUTIVE DIRECTORS AND GROUP MANAGEMENT

PRINCIPAL RESPONSIBILITIES

Lex van Vught (58) [4]
BComm BSc (Hons)
Chief Executive

African Explosives
Chemical Services
Dulux
SANS Fibres
Group Human Resources
Group Technology and Strategic Resources

Joined the Group in 1968 and was appointed Chief Executive in 1998.

Neale Axelson (52) [4]
BSc (Hons)
Executive Director and Chief Financial Officer

Heartland Properties (Executive Chairman)
AECI Retirement Funds
Accounting and Finance
Group Communications
Legal and Secretarial

Joined the Group in 1972 and was appointed an Executive Director in 1989.

Graham Edwards (47) [4]
BSc (Eng) BComm MBA PhD
Managing Director
African Explosives

Joined the Group in 1978 and was appointed Managing Director of African Explosives in 1999.

Schalk Engelbrecht (55) [4]
BSc MBL
Managing Director
Chemical Services

Joined Chemical Services in 1980 and was appointed Managing Director in 1998.

Thys Loubser (48) [4]
BEng MEng Pr Eng
Chief Executive
SANS Fibres

Joined SANS Fibres in 1997 and was appointed Chief Executive in 1998.

Lincoln Partridge (59) [4]
BSc (Eng)
Group Manager, Technology

Information Technology
Safety, Health and Environment
Site Remediation
Strategic Resources

Joined the Group in 1964 and was appointed to his current position in 1998.

Jacques Pienaar (42) [4]
BA
General Manager, Human Resources

Joined the Group in 1990 and was appointed to his current position in 1998.

Chris Sinclaire (52)
CA(SA)
Group Treasurer

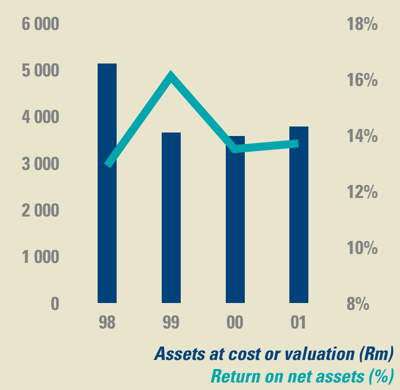
Joined the Group in 1973 and was appointed to his current position in 1989.

Louis van der Walt (47)
BIuris LLB CFP
Manager, Retirement Funds

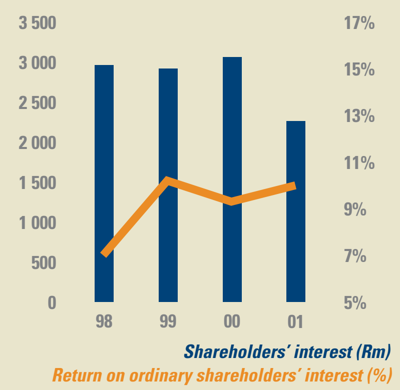
Joined the Group in 1991 and was appointed to his current position in 1999.

SHAREHOLDER INFORMATION

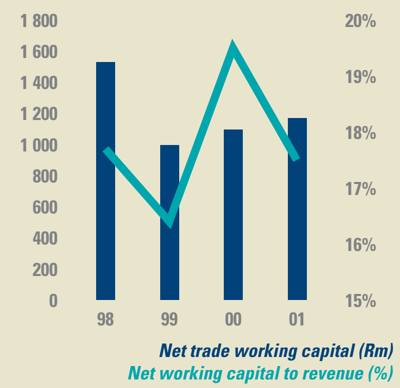
Return on net assets



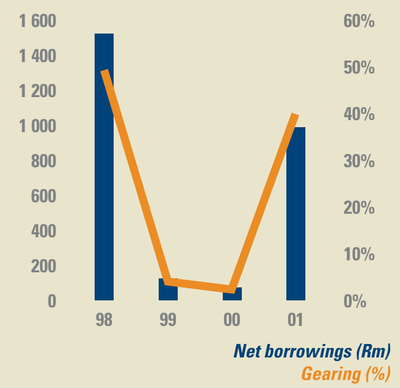
Return on shareholders' interest



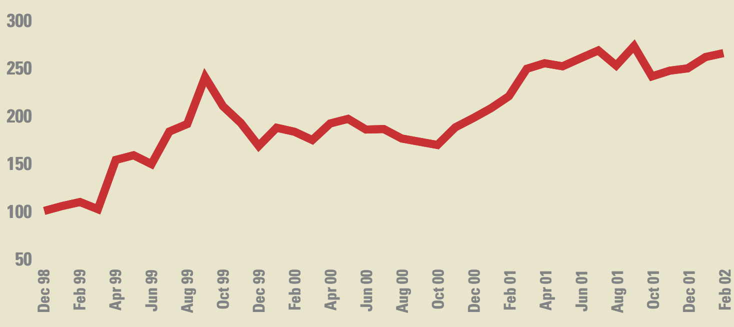
Revenue and net working capital



Net borrowings and gearing



AECI share price* relative to JSE industrial index



* Adjusted for special dividend

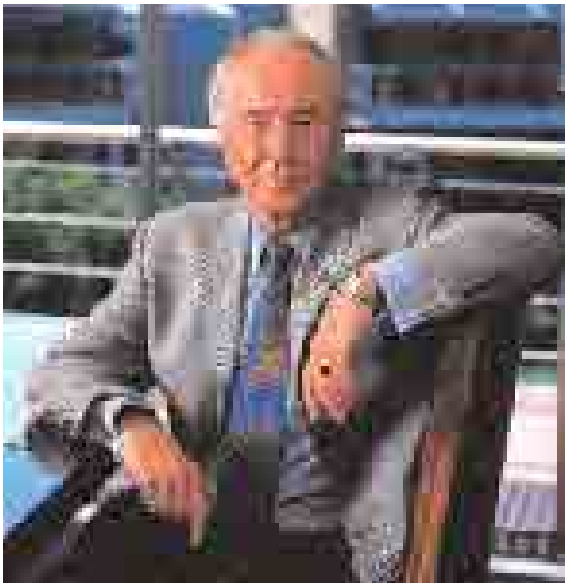
ANALYSIS OF ORDINARY SHAREHOLDERS

	Shareholding (%)
Investec Asset Management	13.2
AECI Treasury Holdings (Pty) Limited	10.0
Bernstein Investment Research Management	9.8
Coronation Asset Management	8.9
Liberty Asset Management	6.5
BoE Asset Management	5.7
Old Mutual Asset Management	5.6
Not more than 5 per cent	40.3
	100.0

Size of shareholding	Number of shares (thousands)	% of total	Number of shareholders	% of total
1 – 1 000	686	1	1 968	65
1 001 – 10 000	2 569	2	720	24
10 001 – 100 000	7 092	7	214	7
Over 100 000	93 142	90	107	4
Total	103 489	100	3 009	100

FINANCIAL CALENDAR

2001 final ordinary dividend No. 136	
Declaration date	25 February
Last date to trade cum dividend	12 April
Ex dividend trade	15 April
Payment date	22 April
5.5% preference shares dividend No. 128	
Declaration date	13 May
Last day to trade cum dividend	7 June
Ex dividend trade	10 June
Payment date	18 June
78th annual general meeting	27 May
2002 interim ordinary dividend No. 137	
Declaration date	29 July
Last date to trade cum dividend	13 September
Ex dividend trade	16 September
Payment date	23 September
2002 interim report released	30 July
5.5% preference shares dividend No. 129	
Declaration date	18 November
Last day to trade cum dividend	6 December
Ex dividend trade	9 December
Payment date	17 December
Financial year-end	31 December
2002 audited results released	February 2003
2002 annual report posted	March 2003



LETTER TO SHAREHOLDERS

I have great pleasure in reporting on another successful year for the new AECI in its first year as a fully independent company. Final steps in the Transformation strategy were completed, the overhang of Anglo American's shareholding was resolved and pleasing growth in headline earnings was achieved. The Group's performance in 2001 was particularly creditable when viewed against the parlous state of the chemical industry globally and the world's economies in general.

Performance

Headline earnings of 243 cents per ordinary share increased by 32 per cent on the prior year, boosted by the reduction in the number of shares in issue to 93 million following the buy-back of 62 million shares from Anglo American in January 2001. On a like-for-like basis the Group posted a net increase in earnings of 2 per cent in a traumatic year in world chemicals. After adjusting for the effects of the special dividend of R6 per share paid to shareholders in 1999, it can be demonstrated that headline earnings per share have grown significantly and steadily in real terms since 1998, a pleasing trend which is expected to continue.

The final dividend was raised by 10 per cent to 55 cents per share to bring the total dividend for the year to 87 cents per share (80 cents in 2000) with a dividend cover of 2.8 times (2.3 times in 2000). The dividend cover thereby moved closer to our longer-term objective of at least 3.0 times.

While Group revenue and trading profit increased by 12 and 4 per cent respectively, the core businesses of mining solutions, specialty chemicals and specialty fibres posted gains, in aggregate, of 23 per cent in revenue and 20 per cent in trading profit. This impressive performance in difficult trading conditions provides further validation of the Group's strategic focus on specialty product and service solutions, which add value for customers.

The sharp decline in the external value of the rand during the fourth quarter of the year had a net positive impact on trading and earnings. Translation gains on the Group's net investment in activities outside South Africa, however, were recognised through reserves and not through the income statement.

The successes of 2001 were marred by an indifferent occupational health and safety performance. The Group wishes to be ranked with world leaders in health and safety, and a considerable effort will be needed if the targets set for 2003 are to be reached.

Transformation

Major features of the Transformation Programme accomplished during the year were the buy-back of shares from Anglo American, which subsequently sold most of its residual holding in the Company, the disposal of the Group's interests in Kynoch Fertilizer and AECI Bioproducts and the closure of the fine chemicals development unit. This programme led to exceptional charges of R283 million after tax, made up primarily of losses on disposal of Kynoch Fertilizer and AECI Bioproducts of R87 million and R88 million respectively. The balance arose mostly from restructuring and the closure costs of discontinued operations. It is not envisaged that further exceptional charges will be incurred in 2002.

It is gratifying that the Group's three-year Transformation Programme was completed without destruction of shareholder value. Exceptional gains over this period exceeded exceptional losses by some R150 million, and the cash generated from disposals enabled us to fund the cost of transformation over and above the special dividend payment and the share buy-back.

Financial

The Group's net borrowings were just under R1 billion at year-end, mostly as a result of the share buy-back payment of R775 million in the year. Growth investments by core companies in 2001 amounted to R370 million, and SANS Fibres in particular spent R170 million on new projects including the new specialty nylon spinning and drawing platforms in Bellville, Western Cape and North Carolina, USA, which are in the process of being commissioned. Cash interest cover was 5.1 times for the year while gearing at year-end, assisted by improved working capital management, was contained to a satisfactory 40 per cent of shareholder funds.

In January 2002, the final top-up payment of R205 million (including secondary tax) was made to Anglo American in terms of the share buy-back agreement. This post-balance sheet event has not been recognised in the 2001 financial statements.

Strategy

With the re-invention of AECI as a specialty product and service solutions company accomplished, strategic attention has shifted to the controlled growth of its core clusters. I have pleasure in reporting in this respect that some R500 million has been spent over the past three years on growth, and whilst 2002 will mostly be a year of consolidation and performance delivery, the three core clusters face an exciting strategic future.

African Explosives will continue its expansion into Africa and other select export markets, whilst building on its promising electronic detonation and blasting platform. SANS Fibres will pursue its international expansion strategy, with particular emphasis on specialised low-denier industrial yarn markets. The highly successful growth-by-acquisition strategy of listed subsidiary Chemical Services, where it remains our long-term intent to acquire the shares held by minorities, will continue.

I am delighted at the new spirit in the Company. There is an identity of purpose and pride within the new AECI and a liberation of energy and drive for performance. The newly formed Executive Committee, a combination of the Group executive and the core business MDs, is leading a challenging agenda to improve Group performance and to share best practice.

We are continuing to strive to increase our return on invested capital through efficiency and productivity improvements, and to accelerate the Group's cultural evolution to a more customer intensive, nimble organisation. There is plenty of opportunity and shareholder value yet to be delivered.

Outlook

While the global economy and chemical industry are only expected to pick up towards the end of 2002, the new AECI's coherent structure, lower cost base and more specialised business portfolio provide a sound basis for further improvements in performance. The lower level of the rand will also benefit the core businesses both in terms of export opportunities and competitiveness in the domestic market. The Group therefore expects further real earnings growth in 2002.

Board of directors

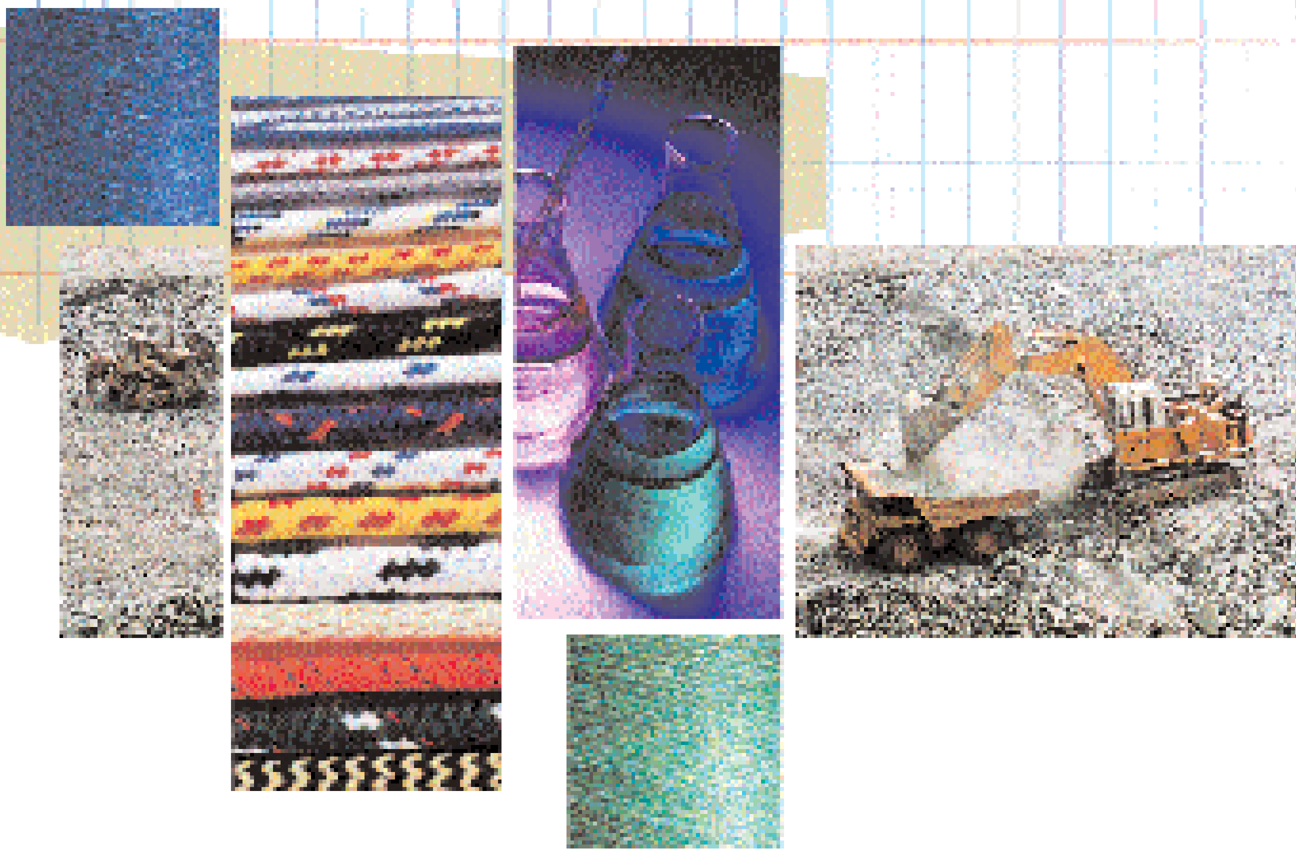
In 2001 we bade farewell to executive director Vernon Liddiard, who retired after a distinguished career of more than 40 years with the AECI Group. Vernon was associated with African Explosives for most of this time, but also played a key role in the Group's transformation over the past three years. Zandile Jakavula joined the Board in August as a non-executive director. Zandile is Chief Executive Officer of Spoornet, and we look forward to his participation in the affairs of the Group.

In conclusion I wish to take this opportunity to congratulate all the staff in the AECI Group for their excellent performance during the 2001 financial year and their commitment and dedication to the Company of which we are all very proud.

Alan Pedder
Chairman

Sandton, 25 February 2002

OPERATIONAL REVIEW

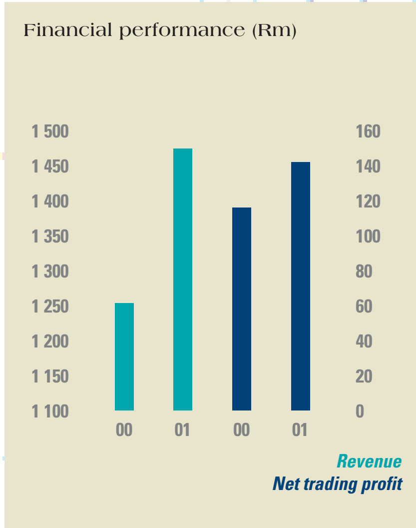


An unhelpful external environment and a sharply depreciating currency were just two of the challenges that the businesses comprising the new AECI had to contend with in 2001.

The transformed Group not only emerged unscathed but it is now a more coherent, stronger and focused organisation with real prospects for 2002 and beyond.

Mining solutions

African Explosives Limited



African Explosives Limited

The year was noteworthy for both African Explosives' (AEL's) continued strategic development and a significantly improved financial performance.

The provision of innovative blasting solutions for the mining, quarrying and construction industries remains a prime objective for AEL. The company used its expertise in technological innovation in the drive towards this customer focus, designing products with tailor-made services and solutions to meet customer needs. These include the following:

- electronic detonators: the development of custom-designed initiating systems with supporting software that enable controlled blasting and real-time feedback on blasting progress. These products are now gaining rapid acceptance in Africa following a series of successful customer-partnership trials
- underground bulk systems: a single, base emulsion product for all underground blasting applications allows mines to simplify logistics, increase effectiveness and improve safety
- safety fuse: an improved formulation and a new blending technique now make it possible to manufacture safety fuse with tailor-made burning speeds to meet the precise requirements of any customer
- threshold blasting: this is a blasting technology developed by AEL to improve mining productivity and profitability. It combines safety and effectiveness by allowing continuous, uninterrupted mining operations at the rockface
- Blast Consult: this specialist consultancy is dedicated to maximising customer benefits by optimising blasting results
- Value-Adding Services: this division reinforces the company's philosophy of adding value through product-related back-up services

In active pursuit of its growth strategy in Africa, the company has continued to focus on three main elements: attracting new business in selected markets on the continent, taking the latest technology to each market, and remaining committed to African economies through direct investment.

In 2001 new contracts in East, West and southern Africa led to the establishment of a bulk emulsion facility at Morila, Mali, a centralised emulsion plant at Orapa, Botswana, and the upgrading and doubling of output of the bulk emulsion manufacturing facility at Geita, Tanzania. In addition, apart from its South

African operations, the company has explosives manufacturing plants in Ghana, Zambia and Zimbabwe. Further expansion opportunities are under assessment elsewhere in Africa.

The year under review saw the exploration of new options for increased marketing of products and services beyond Africa. A solid foundation has been laid for selective entry into the initiating systems markets in the USA, Europe and South America, setting the scene for some exports commencing in 2002. This strategy, which also involves both self-generated marketing and the negotiation of alliances with other international explosives companies, should pave the way for the company to become more integrated into the global explosives industry.

ELECTRONIC DETONATORS PROVE THEIR WORTH

Damang Gold Mine in Ghana is an example of the benefits of using AEL-designed systems and product technology to achieve both higher safety levels and optimum production.

Owned by Abosso Goldfields Limited (AGL), Damang is contract-mined by African Mining Services (AMS) of Ghana. AEL's Smartdet Universal System was introduced to the mine in mid-2000 and, after an intensive trial period during which both the mine owner and the mine contractor became convinced of the benefits of the system, the mine was fully converted to Smartdet* in October 2001.*

In November, AMS conducted an unconfirmed world record blast using electronic delay detonators. The blast involved 1 633 holes, of which 1 589 were detonated using Smartdets, with the remainder using shock tube.*

AMS Drill and Blast Supervisor Phil Scardina, who has spent two years optimising timing and blasting parameters to gain required fragmentation and digging rates, says: "Smartdet technology has enabled us to attain flexibility in timing, produce optimum ore fragmentation and achieve sequential firing. We can now use selective delays for differing lithologies within the pit. Also, the safety of the product is superior."*

Project Manager for the contractor, Les Taylor, adds: "Digger productivity has increased due to fragmentation and the running surfaces have improved, leading to less wear and tear on equipment." And Kevin Rogan, Mine Manager for the owner, comments: "Crusher throughput has increased by 10 per cent on average. This is leading to substantial cost savings."

The Damang pit is the first surface operation in Africa, and possibly the world, to incorporate an electronic blasting station at the pit control room. Centralised blasting operations can thus be conducted safely from a single location.

AEL is the only explosives supplier offering the system in West Africa and, following its success at Damang, hopes to introduce it to other operations in the region, where environmental constraints and fragmentation results are limiting mining operations.

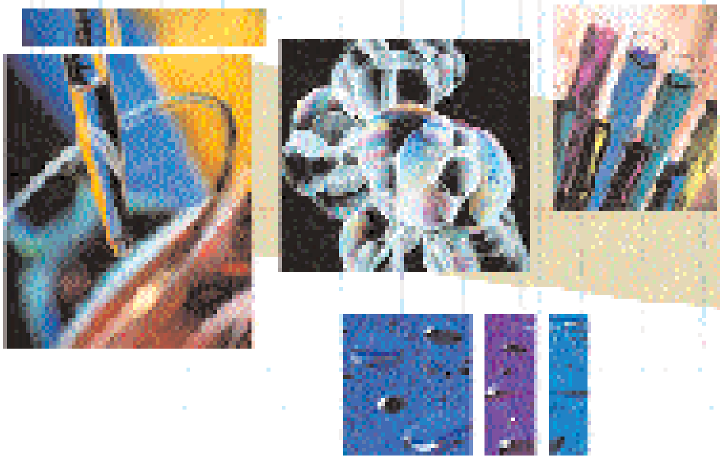
** Trademark*

Sales revenue in 2001 grew by a satisfactory 18 per cent, resulting in better than expected trading profits. Although the average price of ammonia, the major cost component for explosives manufacture, rose by 18 per cent in rand terms, compared to a decrease of 13 per cent in US dollars, the company was able to recover this increase from the market for the majority of supply contracts.

Sales into the Narrow Reef markets were marked by improved volumes in the platinum sector, whilst gold sector sales were flat due to market shrinkage and production cutbacks at some mines. Sales into the Surface and Africa sectors were well up on 2000, in line with a weaker rand, improved volumes in Botswana, Ghana and Tanzania and the inclusion of sales to Mali. The commissioning of the Ngezi opencast platinum mine also resulted in sales to Zimbabwe improving. Volumes were down in Zambia, where the general outlook for the mining industry is of concern as the low copper price takes its toll.

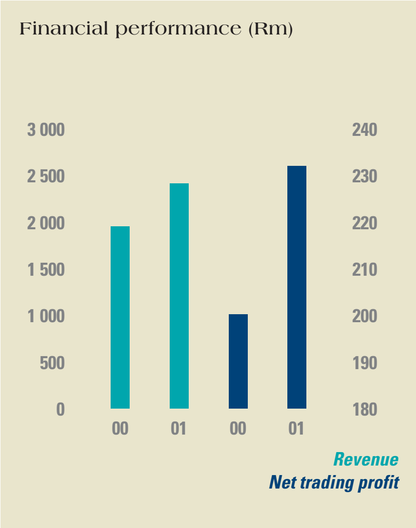
AEL will be facing the challenges of 2002 intent on even greater implementation of its purpose – to work with its customers to release the wealth of Africa and beyond by delivering leading mining solutions. The company will also accelerate its strategic thrust in the field of electronic detonators, will strive to continually improve quality and safety, and will seek a reduction in fixed costs and non-value-adding activities.

Specialty chemicals



Chemical Services Limited

In its ninth consecutive year of record earnings, Chemical Services, AECI's listed subsidiary, increased its headline earnings per share by 20 per cent compared with 2000.



Chemical Services

In 2001 all of AECI's specialty chemical interests were repositioned in the 71 per cent owned listed subsidiary Chemical Services Limited (Chemserve), following the incorporation of the 80.1 per cent shareholding in AECI Coatings and the businesses of Kynochem and Industrial Urethanes. These, together with the purchase of Plaaskem, a highly specialised supplier of agricultural products, and three other minor but strategic businesses in the food additive, water treatment and personal care sectors, broadened Chemserve's portfolio further. Chemserve now comprises 20 distinct businesses, including five joint ventures with leading multinational partners. The structure of market-focused, small to medium sized niche businesses has proved to be ideal for offering product and service solutions to the southern African mining, manufacturing and agricultural industries. This diversified portfolio, supported by supplier and customer partnerships, applications technology and technical service, has been the foundation for Chemserve's sustained real growth in earnings.

During the past two years, the specialty chemical sector worldwide has had to cope with high energy costs which were followed by recessionary conditions and weak demand. Chemserve operates mainly in the southern African region and, for many years, has managed low-volume intrinsic growth, shifting demand patterns, and uncertainty in financial and political environments most successfully. Its double-digit real-growth objective, aided by an aggressive acquisition strategy, has been very successful, and the company possesses the skills and experience needed to continue along this path.

2001 was no exception and, against the background of the global downturn and a lacklustre regional economy, Chemserve posted a 20 per cent increase in headline earnings per share compared with 2000. This was the ninth consecutive year of record earnings, resulting in a compound growth rate of 20 per cent per annum over this period.

Businesses that performed particularly well in 2001 were those engaged in oleochemicals, perlite derivatives and paper chemicals, whilst some of the traditional formulated chemicals and general technical products disappointed.

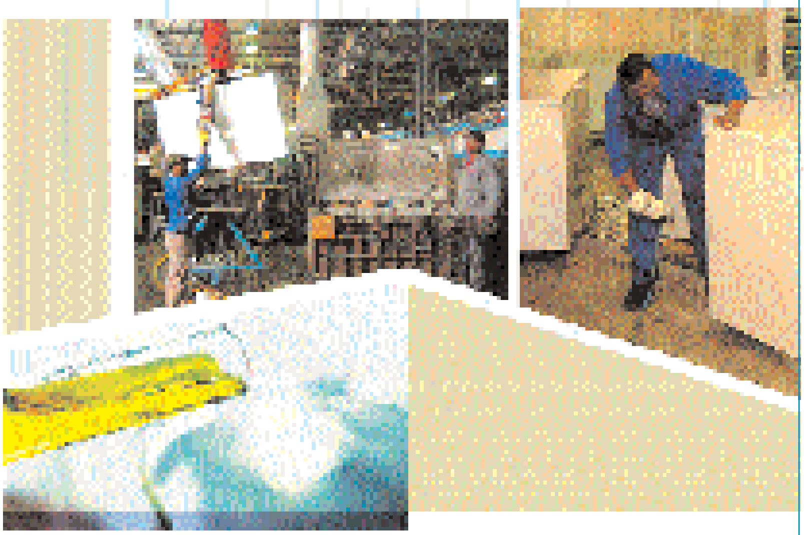
The major operational focus in the year under review was on the incorporation of the acquired businesses into the Chemserve structure and the implementation of vigorous restructuring and rationalisation programmes. Notable in this regard was the closure of the non-core and unprofitable industrial and wood finishes businesses in AECI Coatings, and the merging of management and functional support activities of Akulu Marchon and Kynochem. In addition, the agricultural businesses of Plaaskem and Applied Chemicals were combined in order to benefit from the market synergies in their respective product ranges. These actions resulted in substantial once-off exceptional charges but all have short pay-back periods. The restructuring or closure of businesses is unfortunate and disruptive but is very necessary to secure long-term competitive advantage and cost efficiencies.

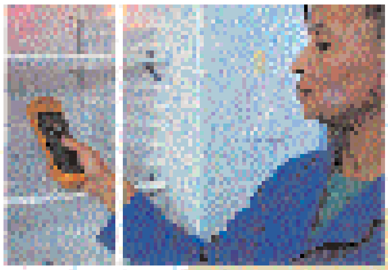
The decline in the value of the rand posed some challenges to Chemserve to protect its margins and maintain its position as a reliable and responsible supplier to a broad customer base. Specialty chemicals, by definition, are generally used in small quantities as a minor cost component of the product or process. The value added through unique technology and customer service is a formula for margin preservation.

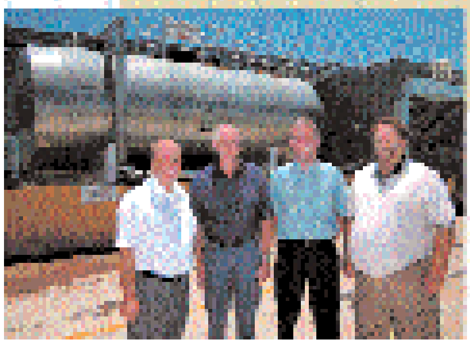
Safety, as measured by reportable lost-time incidents, did not meet the objectives set by the management of the specialty cluster and will receive high priority in the coming year.

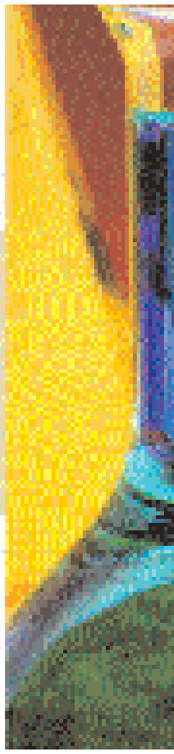
The addition of value through unique technology and service is a formula for margin preservation.

The outlook for the Chemserve group remains exciting as the expected benefits of the restructuring exercises are realised, steady demand for its products is forecast, and as it continues to pursue its successful acquisition strategy.









THE POWER OF PARTNERSHIPS

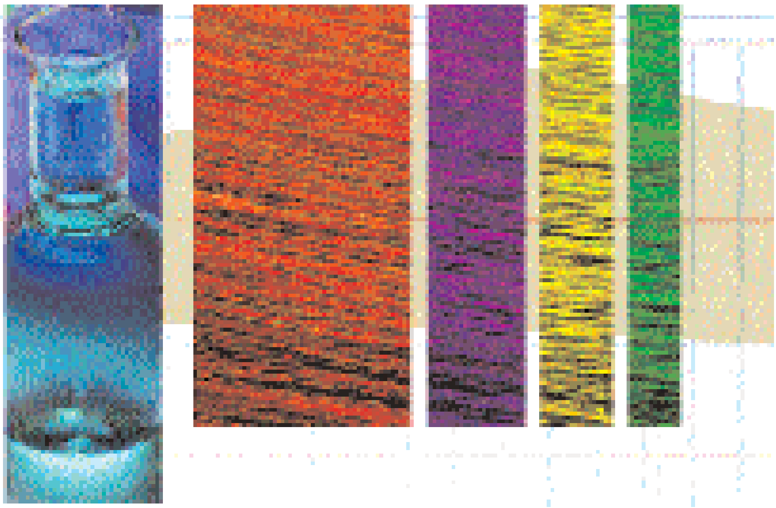
Defy, a leading brand manufacturer of refrigeration, cooking, laundry and air-conditioning appliances, has been an Industrial Urethanes (IU) customer for more than 20 years. In this time, measurable added value has stemmed from the partnership.

IU supplies all of Defy's polyurethane foam requirements. The foam bonds the interior and exterior frames of refrigerators and freezers, achieving the required structural strength and providing the essential thermal insulation.

In developing an ongoing supplier-customer partnership, IU and Defy have combined their technology know-how and expertise in a programme of continual improvement of the end product. This has achieved the elimination of CFCs in foam insulation, improved efficiencies in process and quality control and a complete overhaul of supply and logistics.

The strength of this co-operation is well illustrated by the fact that the Defy manufacturing plants at East London and Ladysmith both boast bulk chemicals storage and delivery plants designed, constructed and commissioned by IU. In this way, wasteful procedures in handling chemicals in drums and drum disposal have been eliminated, with all the associated benefits of increased safety in the workplace.

The polyurethane foam chemicals have been formulated to meet the processing and quality standards set by Defy. This has proved to be a win-win situation for both companies. New developments in foam formulations continue to be evaluated.



Specialty fibres

SANS Fibres' determined pursuit of being a world leader in its chosen markets paid off in 2001. This is reflected in a record trading profit and other milestones such as the company being awarded a number of exclusive supply contracts. Intense product development continued.

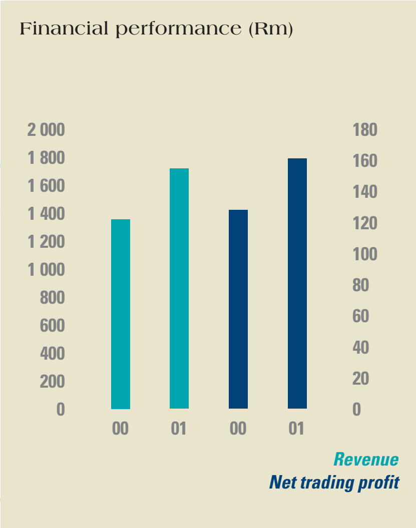
SANS Fibres

Determined efforts in pursuit of its vision "to be number one in our chosen world markets, creating prosperity for our people and partners" yielded pleasing results for SANS Fibres (SANS) in 2001. The company achieved a record trading profit of R161 million, a 36 per cent increase on the prior year. Trading profit has now shown consistent growth since 1997.

SANS' achievement, in the context of difficulties being experienced by other global yarn producers, can be attributed to a continued strategic focus on specialty industrial niches, excellent customer service and an aspiration to a world-class operational culture. In addition, the weak rand impacted positively on exports, which now account for over 50 per cent of total sales, and also had a knock-on effect on local demand as the costs of competitive imported products rose.

2001 saw the further implementation of SANS' core strategy of strengthening its presence in LDI (light decitex industrial) and specialty HDI (heavy decitex industrial) yarn markets. LDI yarn is used in the manufacture of sewing threads, parachutes and timing belts. HDI applications include conveyor belts, tarpaulins, Colorcord* luggage and cordage, and boat coverings. A further milestone was the commercialisation of the new PET plant to coincide with a strong domestic demand cycle.

The strategic investment of R40 million in the development of a high-tech spinning platform at the company's Bellville site, and the benefits of improved quality and lower production costs, have strengthened its position as the world's largest supplier of light industrial nylon yarns for sewing thread manufacture.



In 2002, SANS will consolidate its position in its chosen niches and will start to deliver returns on its newest investments.

Identical technology has been installed in Stoneville, North Carolina, the location of the company's joint venture, which came on stream early in 2002. This manufacturing unit is expected to be fully utilised by the end of the first quarter. The joint venture was established with Unifi, the world's largest producer of textured yarns, and represents an investment of US$26 million. This is SANS' first major global investment and is critical to its competitive position in industrial fibres, particularly in the North American Free Trade Area.

SANS, through its commitment to and expertise in niche markets, forged even closer ties with customers in 2001. This culminated in the company being awarded a number of exclusive supply contracts. The year also saw intense product development and acceptance of the Colorcord* product by Honeywell customers. Its manufacture was transitioned fully to the Bellville site from where a range of colours is being supplied, both domestically and internationally. These coloured, high-tenacity polyester yarns constitute a specialty niche that is expected to show further growth in 2002.

The company's 60 000 ton per annum PET resin plant, which came on stream in November 2000, performed beyond expectations, contributing significantly towards pay-back on the R60 million investment in the first year of production.

SANS, in partnership with South African Polyester Recyclers and leading industry role players, was instrumental in the start-up of PET recycling in South Africa during the year.

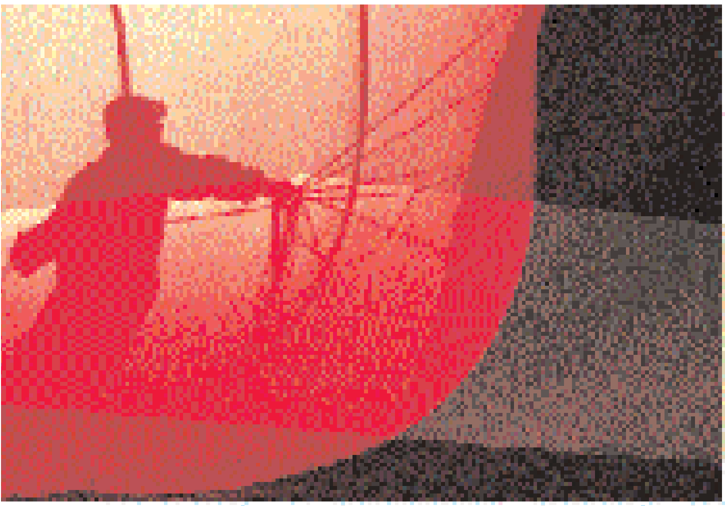
Although the apparel yarn market continued to experience a global downturn in demand, some positive effects of AGOA (the Africa Growth and Opportunity Act) became apparent towards year-end. Furthermore, active global marketing resulted in an increased level of new export business.

The company's formal transformation process, launched in 1999 and focused on continuous improvement and skills development, began showing bottom line results. Most employees have been trained in techniques to identify ways to improve quality and efficiency and to reduce costs. The continued application and enhancement of these skills is expected to translate into significant savings in 2002.

Increased involvement in community relations and social investment has enabled the company to influence the socio-economic environment within which it operates. Specific areas of activity include support for organisations managing aspects of the HIV/AIDS pandemic and for those focused on skills development. Future efforts will emphasise the translation of skills into earning power.

Despite uncertainties regarding currency developments and the global downturn, the outlook for 2002 is positive. SANS will move to consolidate in its chosen niches and will start to deliver returns on investments made during the previous two years. Further growth in its specialty markets is also expected, particularly in the Far East and in North America, as the joint venture becomes fully operational.

** Trademark*



CONTINUOUS IMPROVEMENT BENEFITS ALL

To achieve its vision of being a world-class company, SANS Fibres introduced the SANS Continuous Improvement Production System (SCIPS) in 2000. It is about customers: establishing what they see as value, setting standards that meet their needs and developing dynamic processes to respond to their changing requirements.

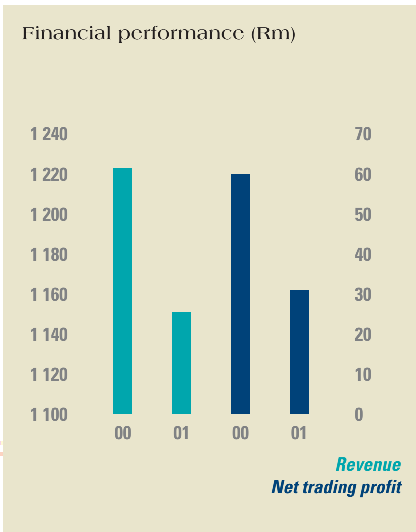
"SCIPS deals with identifying and eliminating all forms of waste, thereby maximising customer satisfaction. It requires the involvement of all employees. Managers have had to change their leadership style and provide the necessary support to encourage participation across the board. Every individual had to commit to full and active participation via Employee Involvement (EI) teams," explains Sam Sampson, EI Team Co-ordinator for the 'Stormers C' shift team. "Everyone had to realise that he or she makes a difference."

Already customers are reaping the benefits. Claims have decreased because teams investigate problems, analyse them and take corrective action to prevent recurrences. The teams are also more familiar with the customers they service. By using techniques such as visual, customer-specific aids in the workplace, operators are more aware of the consequences of their actions. Product quality is also enhanced as a result.

"Real decreases in costs are also a deliverable," adds Leon Jantjies, SCIPS Facilitator from the Nylon Plant. "SCIPS has allowed us to rethink the way we view our organisation across the full spectrum of activities, from raw materials to finished product. Multi-disciplinary teams identify and remove non-value-adding steps whilst cost-reducing, value-creating activities are enhanced."

On-time delivery as an initiative has also progressed. Suppliers, for example, are seen as an extension of the company and are included in training and improvement initiatives. EI teams are given daily targets that they monitor and achievement plans are evaluated and revised as necessary throughout the day. "Everybody wins, not only our customers," concludes Clinton Simpson, SCIPS Manager. "Our shareholders and all SANS Fibres' people also share in the rewards of a more efficient and competitive business."

Other businesses, associated companies and investments



AECI Aroma and Fine Chemicals

Prices in the global market for food grade antioxidants continued to weaken in 2001 due to competition from Asian producers. This, combined with the cost of necessary technology advancements, resulted in an unimpressive performance in the first half-year. Market share gains and the weakening of the rand improved trading performance significantly in the last six months and, although prices in South East Asia are expected to continue weakening, a modest profit is expected for this small fine chemicals operation in 2002.

Dulux

During 2001, Dulux sold its Marine and Protective Coatings business to SigmaKalon and its Resins business to AECI Coatings. By year-end, therefore, Dulux was exclusively a decorative paint company.

The operation continued to underperform and recorded a modest trading profit in 2001. An aggressive performance improvement programme was launched which has already yielded results including reduced working capital levels, more robust controls and systems, and an overall simplification of the business.

Market conditions were generally flat during the year and this made growth difficult. Whilst overall market share was maintained, Dulux focused its resources on its key branded lines, Dulux*, Dura*, Woodguard* and Duco*. A new television and print advertising campaign, based on the theme “Any colour you can think of”, was launched to support the Dulux brand and, in particular, the Matchmaker* point-of-sale tinting system. The television campaign was particularly well received.

Transformation of the business continued with most change being driven by ongoing attention to feedback from customers and consumers. Market research reconfirmed the strength of the Dulux brand and directed new product developments. The year saw the launch of three significant additions to the company's range:

- Supergrip*, a water-based, high performance and high adhesion primer for difficult surfaces such as ceramic tiles and melamine
- Wash 'n Wear Matt*, a water-based premium matt paint that has exceptional stain resistance
- Hydro Enamel*, a water-based gloss enamel that combines the benefits of a premium enamel with the advantages of water-based technology

All these products combine performance for the consumer with the environmental benefits of water-based paints.

Dulux's operations in other southern African countries continued to perform well, except in Malawi and Zimbabwe where trading conditions were particularly difficult. The investment in Mozambique again recorded excellent growth.

** Trademark*

Heartland Properties

Heartland Properties was established in 1999 to accelerate the realisation of value from land and property assets surplus to the Group's operational requirements. Further progress towards this end was achieved in 2001, with revenue from sales of property exceeding R100 million whilst gross rental income on leased assets increased to more than R40 million.

EXCELLENCE IN CUSTOMER SERVICE

The Dulux Call Centre, in support of the company and its brands, is a busy place. It handles an average of 500 orders a day, and any associated queries, from its customers throughout South Africa. Led by Walter Ma'Africa, this team answers 80 per cent of these calls in the first minute and less than 4 per cent are abandoned.

That the Centre's agents score top marks with their customers is a tribute to their professionalism and commitment. Customer satisfaction audits are conducted monthly and the Call Centre consistently shows satisfaction levels in excess of 98 per cent, and much praise is heaped on the team.

Heartland has responsibility for some 2 500 hectares of land located primarily at AECI's three largest traditional sites: Modderfontein in Gauteng, Somerset West in the Western Cape and Umbogintwini in KwaZulu-Natal.

At Modderfontein, Longmeadow Business Estate attracted strong interest in a more active industrial market whilst sales in Lakeside residential estate exceeded expectations. The release of land at Greenstone Hill, between Edenvale and Modderfontein, for residential and commercial use was delayed by regulatory issues and a reassessment of bulk infrastructural service requirements. Steady demand continued for residential, commercial and industrial land at Somerset West. Activity at Southgate Industrial Park, Umbogintwini, improved, albeit from a low base.

The Asset Management division, which was established to optimise returns on structures no longer required by operations, traded successfully during the year with reduced costs and enhanced efficiencies. The gross lettable area under management increased to 275 000 m^2 at Modderfontein and Somerset West with a vacancy rate of some 21 per cent at year-end. Securing leases of longer duration and achieving a further reduction in the vacancy rate will be the focus in 2002.

In determining strategy, Heartland Properties seeks to find the appropriate balance between the sale of raw land in bulk for cash and the potentially higher present value to be derived through the later sale of serviced sites. A greater emphasis on sales in bulk is expected to enhance the cash flow generated by the company in 2002.

Kynoch Feeds

Trading profit of this animal feed phosphates business improved substantially in 2001, mostly as a result of record export sales volumes and foreign exchange gains. In addition, plant output again exceeded prior production levels and significant cost savings were achieved in the bagging operation.

In the South African market difficult trading conditions are expected for 2002, with the likelihood of new entrants into the local calcium phosphate markets. As was announced towards the end of 2001, it is expected that the disposal of Kynoch Feeds to Kemira Oy of Finland will be finalised during the second quarter of 2002.

Associated companies and investments

Botswana Ash (7%)

AECI has a 7 per cent financial interest in Botswana-based natural soda ash producer, Botswana Ash (Pty) Limited. The company is a joint venture between that country's government and private enterprise in South Africa. The business continued to trade satisfactorily in 2001 and should benefit in 2002 from the sharp decline in the value of the rand.

Huntsman Tioxide Southern Africa (40%)

The company manufactures titanium dioxide pigments primarily for the paint industry but also for printing inks, plastics, paper and ceramics. Demand for pigment in the USA, Europe and Asia Pacific was severely affected by the global economic downturn, but the South African market remained relatively firm, especially in the second half-year. Prices declined sharply in the fourth quarter, however, in line with global trends.

Several projects to increase capacity, quality and consistency were completed and the business is well placed to maximise opportunities during the next economic upturn.

The continued focus on achieving excellence in safety, health and environmental performance has resulted in a reduction in employee and contractor injuries over the last three years, the development of an HIV/AIDS strategy, and compliance with all permitted effluent limits.

Negotiations with controlling shareholder Huntsman Tioxide PLC of the UK have commenced, with a view to the latter acquiring the Group's shareholding in this non-core business.

Group Human Resources

The Human Resources function continued to focus on managing the effects of the Group's Transformation Programme on employees. It is gratifying that initiatives to assist those affected contributed to tempering the trauma of radical change. In 2002 the focus will shift to the consolidation of the new AECI through the continued pursuit of cultural and behavioural transformation objectives. This will contribute further to enhancing the performance of the Group's businesses and can only be achieved with the input and co-operation of all employees.

The superior quality of any organisation's employees remains a significant competitive advantage. In this context, the performance management initiatives implemented by Group companies to strengthen the direct link between performance and reward are starting to bear fruit. As reported in 2000, particular attention is being given to the quality of leadership throughout AECI. Accordingly, a new initiative was launched to assess and maximise the potential of the existing leadership and to identify and develop future leaders.

Skills development

Career development is an important strategy to attract and retain world-class employees, and fundamental to maintaining an environment that supports equal opportunity. AECI's businesses have always placed a high priority on training and development and, therefore, have experienced no difficulty in complying with the provisions of the Skills Development Act. Appropriate plans have been developed in partnership with employee representative forums and submitted to the Chemical Industries Education and Training Authority.

In 2001, the Group spent more than R15 million on training programmes that covered leadership development, computer literacy, supervisory training, communication skills, operator and engineering skills, multi-skilling, sales and marketing, adult basic education, life skills, business education, performance management, technical training and specialised tertiary training. In addition, the Group continued to provide an employee study assistance scheme to enable individuals to improve their educational qualifications.

Employment equity

AECI's historical commitment to the principles of employment equity has been well reflected in the normal activities of its companies. However, given current business and socio-economic demands for the transformation of the workforce, and the requirements of the Employment Equity Act, companies have had to focus even more attentively on this issue.

Progress is monitored on an ongoing basis by the Group as well as by the executive of each company. Regrettably, in 2001 progress remained relatively slow as a result of the impact of transformation and the continued downsizing of the Group. Furthermore, there remains an overall shortage of skilled manpower among previously disadvantaged sectors of society. It was particularly difficult to make any significant impact in this area whilst the employee complement was being halved. This notwithstanding, some gratifying progress has been made in changing the composition of senior management ranks in the Group's businesses.

Industrial relations

Labour relations remained stable and constructive with little conflict and no industrial action. A further delay in the registration of the National Chemical Industry Bargaining Council did not hinder the successful and timeous conclusion of a wage and service condition agreement in June. The proposed Bargaining Council has since been registered by the Department of Labour and will now need to be established as the statutory body responsible for regulating a host of labour issues in the chemical industry, with consequent challenges for all parties concerned.

Benefits

The Group's retirement funds continued to meet the reasonable expectations of members. The Pension Fund Amendment Act of 2001 was promulgated in December and its implications are currently being assessed and evaluated.

Medical aid remains an important employee benefit. Its funding is under constant threat from costs relating to hospitalisation, chronic medication, imported medical inflation, HIV/AIDS and over-servicing. Furthermore, the Group's transformation has increased the pensioner:member ratio to almost 50 per cent and this has placed added strain on the AECI Medical Aid Society.

Social responsibility

The Quality of Life programme assists in education and supports community projects through active involvement. The focus is on community partnerships, long-term working relationship with NGOs, multiplier effects in terms of skills development, assisting previously disadvantaged communities in geographical areas where the Group operates, and skills development and small business assistance for retrenched employees. Total social responsibility investment in 2001 amounted to R7 million, including the donation of a community centre to the people of Qunu, near Umtata.

HIV/AIDS

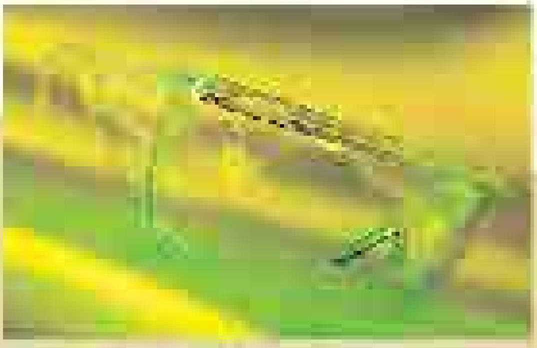
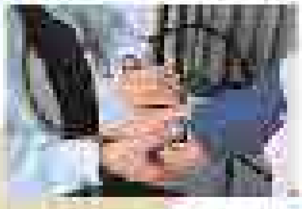
The International Labour Organisation's Code of Practice on HIV/AIDS was published in June 2001 and AECI's initiatives are in line with this. HIV/AIDS education continued to receive ongoing attention throughout the Group and concentrated on:

- awareness: training is provided to target groups and awareness is incorporated into induction programmes. Also, available statistics are monitored as are absenteeism patterns
- care: all Group businesses must ensure that benefits and personnel planning take into account the implication of AIDS. They must also ensure the availability of condoms and the appropriate treatment and monitoring of known cases of sexually transmitted diseases and HIV/AIDS
- support: professional counselling is provided to those infected with HIV/AIDS. Active efforts are made to provide a climate of acceptance in the workplace
- behaviour changes: through education, behavioural change is sought to eliminate avoidable risk of future infection

Conclusion

The various businesses comprising the new AECI Group had to contend with an unhelpful external environment, a sharply depreciating currency and numerous other challenges during 2001. The fact that we have not only emerged unscathed, but are now a more coherent, stronger and focused organisation, is in no small measure due to the application and energy of all the people of AECI. Their willingness to embrace change has made the Group's transformation possible. I thank them all and also express the Group's appreciation to its customers and other valued business partners for their continued support.

Lex van Vught
Chief Executive

Safety, health and environment

Policy

The AECI Group is committed to a clean, safe and healthy environment for its employees, contractors, customers and surrounding communities.

The AECI Executive committee holds itself responsible for the regular review of the Group Safety, Health and Environmental Policy, for the guidance of Group companies in its implementation, and for monitoring performance.

We require each Group company:

- to adopt a Safety, Health and Environmental Policy that meets the needs of its businesses
- to hold line management accountable for the implementation of the Safety, Health and Environmental Policy
- to develop and maintain appropriate procedures to support the Safety, Health and Environmental Policy
- to manage Safety, Health and Environmental risks in a manner that meets the legal requirements of the countries in which it operates and accepted international criteria
- to be prepared for and deal with any foreseeable emergency
- to ensure that employees and contractors are trained effectively
- to maintain a record of Safety, Health and Environmental information and to meet statutory record keeping requirements
- to audit its performance against its Policy, Standards and Procedures and to report this regularly to the AECI Executive committee.

Early in 2002 the AECI Group revised its Safety, Health and Environmental (SHE) Policy, to better reflect and meet the needs and expectations of the new AECI.

Any loss or impairment of life due to a work-related incident is unacceptable.

This Policy is complemented by a set of Standards and Procedures designed to assist AECI Group businesses in its implementation.

2001 performance

Basis of reporting

In 2000, the intention to base safety and health reporting on the guidelines published by the Occupational Safety and Health Administration of the USA was reported. This change provides a more comprehensive measure of the success with which AECI manages safety and health, and allows an immediate comparison with other global chemical companies. Accordingly, the prime measure of performance is now the Total Recordable Incident Rate (TRIR), based on the impact of all occupational injuries and illnesses that require treatment beyond first aid.

There should be no differentiation between protecting permanent employees and personnel carrying out contract work, and statistics for both categories are monitored.

Safety and health

Notwithstanding encouraging advancements in some of the Group's businesses, overall results in the areas of safety and health performance did not progress adequately in pursuit of targets set for achievement by 2003.

It is highly regrettable that three contract employees were fatally injured whilst working at Group sites. Two of the fatalities occurred during site work for Heartland Properties at Modderfontein. In one incident the brakes of a pre-mix cement truck failed and in the other a contract painter fell from the roof of a property. The third fatality occurred during the demolition of plant at Kynoch Feeds' site at Umbogintwini when a contract employee fell some 20 metres from a pipe bridge.

Any loss or impairment of life due to a work-related incident is unacceptable. The challenge to every individual working at AECI companies is to co-operate fully in efforts to achieve zero injuries and illnesses within the Group.

In 2001, the AECI Group had a TRIR for its own employees of 1.76. The corresponding rate for contractor employees was 2.74 and the combined figure was 1.89. Specifically, the rates for core businesses were:

	Own employees	Contractor employees	Combined
AEL	1.26	2.06	1.29
Chemserve	3.12	3.62	3.18
SANS Fibres	1.31	1.70	1.39

Included in the statistics for AECI employees were 69 Lost Time and 97 Non-Lost Time injuries, of which 36 were occupational illness cases, as follows: 14 cases of chemical exposure; 10 of noise-induced hearing loss; six of allergic skin disease; four of skin irritation; and two cases of musculoskeletal disorder.

The predominant causes of injury were failure to adequately assess the risks associated with work before it was performed, and failure to follow operating procedures.

The maximum tolerable level of 1.0 for TRIR is based on the performances of a group of leading international chemical companies. The managing directors of AECI Group companies have committed their businesses to the attainment of this target, which applies to both own and contractor employees, by 2003.

SHE incidents
Amongst the most significant incidents recorded in 2001 were:

- a sulphur dioxide emission during start-up of the Chemical Initiatives sulphuric acid plant at Umbogintwini led to 16 members of the public being hospitalised briefly. Additional equipment has since been installed to avoid a recurrence
- a bulk tank of sulphuric acid failed during off-loading operations at Crest Chemicals. Fumes from this incident drifted beyond the site's boundaries but, fortunately, no injuries occurred
- a fire at the Industrial Oleochemical Products plant in Jacobs, KwaZulu-Natal, resulted in damage to plant and negative media comment
- during equipment installation at a customer's site, a gas explosion occurred which resulted in damage to an extraction system. Nobody was injured

A number of incidents also occurred whilst contractors were transporting the Group's goods by road. Among the more significant of these were the spillages of:

- 10 tons of urea-formaldehyde resin in Zimbabwe
- 1 ton of an oil-based de-foaming agent in Germiston, Gauteng
- 1 ton of formic acid in KwaDukuza, KwaZulu-Natal

No injuries occurred and emergency procedures in place worked effectively. All the spillages were cleaned up and the wastes disposed of safely.

Environmental performance
With the restructuring phase of the Group's Transformation strategy well advanced, each core business was tasked with redefining appropriate environmental benchmarks for its activities. These form the basis for possible, future, targeted reductions in both sustainable and non-sustainable resources, and in the main relate to conversion efficiencies. The relevance of these will be reviewed in 2002 with the intention of disclosing performance in future reports.

Land remediation
Across its sites throughout the Group, AECI's policy on remediation activities is:

- to minimise potential risks to human health and the environment, and
- to quantify, manage and remediate any affected areas to a level that makes the land safe for a specified, alternative use.

Land remediation thus adds value to the Group by releasing land for alternative uses.

A further R12 million was spent in 2001 on characterising, managing and remediating impacts on soil and groundwater from the Group's operations. A portion of this expenditure was for the immediate release of land for sale, whilst the rest was part of longer-term programmes.

At the end of 2001, the estimated environmental liability for soil and groundwater was R194 million. The estimate increased from R170 million at the end of 2000, mainly due to inflation and the inclusion of AECI's liability for the gypsum dam and the stormwater catchment dam at Kynoch Fertilizer's Potchefstroom factory.

Corrective actions

The Chief Executive has written to all Group employees informing them of his concerns regarding the Group's unacceptable SHE performance and outlining how they can assist him in achieving the targeted improvements.

The core companies have made the attainment of SHE targets a key component of performance-related remuneration.

Each core business in the transformed AECI Group was tasked with redefining appropriate environmental benchmarks for its activities.

The conclusion of an Industrial Association Agreement with the companies that operate at the Umbogintwini Industrial Complex is expected to bring improvements in the management of SHE issues at that site. This will be monitored over the next 12 months.

The following are some of the key areas of focus for the Group in 2002:

- risk management at manufacturing sites
- improvement in the management of contractors
- the finalisation and monitoring of environmental performance indicators with core companies
- the determination of a base cost of SHE non-conformance and the monitoring of a range of input measures that will demonstrate how well SHE systems are being managed
- the reconfirmation of appropriate engineering standards within each core company

Lincoln Partridge
Group Manager, Technology

CORPORATE GOVERNANCE

The Board of directors is fully committed to ensuring that all aspects of the Group's business are conducted in accordance with high standards of corporate governance.

Code of Corporate Practices and Conduct

The Board has adopted the Code of Corporate Practices and Conduct as contained in the King Report on Corporate Governance of November 1994. The Code contains recommendations as to best practice for the control and reporting functions of the Board of directors.

The Board considers that the Company and its subsidiaries comply with all provisions of the existing Code. In addition, the Board has taken note of the recommendations contained in the second King Report which was circulated for comment in 2001.

Board of directors

The Board exercises full and effective control of the Company and its subsidiaries through the powers conferred on it by the articles of association. Among other functions, the Board retains to itself the responsibility for matters such as:

- strategic objectives and direction of the Group
- appointment of the chief executive officer and senior succession plans
- identification of key business risks
- determination of delegated levels of authority
- remuneration philosophy.

Authority to run the day-to-day affairs of the Group is delegated by the Board to the chief executive officer and executive directors.

The Board is currently comprised of seven directors of whom five are non-executive, as set out on page 4. The role of the non-executive chairman is kept separate from that of the chief executive. The Board meets at least five times per year. Directors are subject to retirement by rotation and re-election by shareholders at least once every three years in accordance with the articles of association.

Preparation of annual financial statements

The directors are required by the Companies Act to prepare annual financial statements which fairly represent the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss for that period, in conformity with generally accepted accounting practice.

The Company's external auditors are responsible for examining and reporting to shareholders their opinion on the annual financial statements of the Company and its subsidiaries and for performing an audit in accordance with generally accepted auditing standards in order to determine whether the financial statements are in accordance with generally accepted accounting practice.

Following discussions with the external auditors, the directors consider that, in preparing the financial statements, the Company has consistently used appropriate accounting policies supported by reasonable and prudent judgement and estimates. All applicable South African accounting standards have been followed. The directors have no reason to believe that the Company will not be a going concern in the year ahead.

Internal control

The directors are also responsible for maintaining adequate accounting records and they have general responsibility for ensuring that an effective risk management process is in place to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

To enable the directors to meet these responsibilities, management sets standards and implements systems of risk management and internal control aimed at reducing the risk of error or loss in a cost-effective manner.

The Company's internal audit function independently appraises the Group companies' internal controls. The directors are of the opinion, based on the information and explanations given by management, the internal auditors and the external auditors, that the internal controls are adequate so that the financial records may be relied on for preparing the financial statements and maintaining accountability for assets and liabilities. The directors believe that assets are protected and used as intended with appropriate authorisation.

The auditors concur with the above statements by the directors.

Audit committee

An audit committee, whose chairman and the majority of whose members are non-executive directors, has been established by the Board of directors. This committee meets at least three times each year to discuss accounting, auditing, internal control and financial matters. It provides a forum through which the external and internal auditors report to the Board of directors.

Current members of the committee are:

C B Brayshaw (Chairman)
N C Axelson
E K Diack

Remuneration committee

A remuneration committee whose chairman and the majority of whose members are non-executive directors has been established by the Board of directors. This committee approves the remuneration of directors and is responsible for the policy and operation of the Company's share option scheme and its Senior Executive Incentive Scheme.

Current members of the committee are:

A E Pedder (Chairman)
E K Diack
L C van Vught

DISTRIBUTION OF VALUE ADDED

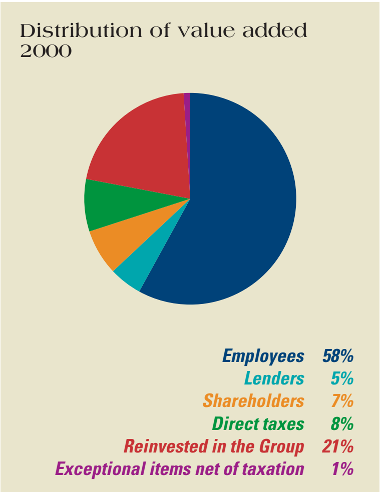
Value added is the difference between revenue received from sales and the cost of raw materials, goods and services purchased outside the Group. It represents the basic surplus of income over expenditure generated by the Group and its employees through manufacturing and selling products and services.

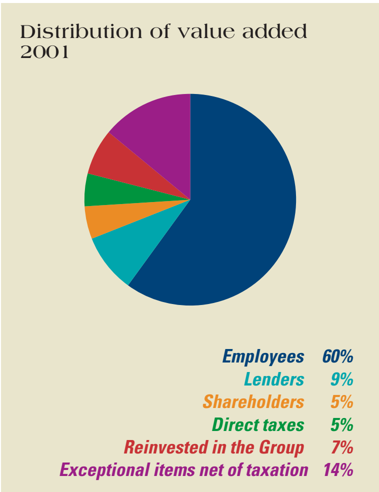
	2001 R millions	**%**	2000 R millions	%
Revenue	**6 745**	**100**	6 009	100
Purchased materials and services	**4 909**	**73**	4 287	71
Value added through operations	**1 836**	**27**	1 722	29
Other income	**49**	**1**	70	1
Total value added	**1 885**	**28**	1 792	30
Distributed to:				
Employees	**1 123**	**60**	1 043	58
Lenders	**165**	**9**	87	5
Shareholders	**87**	**5**	134	7
Direct taxes	**102**	**5**	138	8
Reinvested in the Group	**138**	**7**	379	21
Exceptional items net of taxation	**270**	**14**	11	1
	1 885	**100**	1 792	100

MONETARY EXCHANGES WITH THE STATE

The following monetary exchanges with the state took place during the year:

	2001 R millions	2000 R millions
Direct taxes	**102**	138
Employees' tax collected on behalf of the state	**173**	182
Property taxes paid to local authorities	**23**	9
RSC levies paid to local authorities	**14**	14
Skills development levies paid to SA Revenue Services	**4**	–
VAT (refunded)/collected on behalf of the state	**(16)**	30
Channelled through the Group	**300**	373





HISTORICAL REVIEWS
Abridged financial statements

R millions	**2001**	2000	1999	1998	1997	1996
INCOME STATEMENTS						
Revenue	**6 745**	6 009	7 311	8 646	8 275	7 536
Net trading profit	**492**	474	568	644	671	741
Net financing costs	**141**	27	120	318	145	242
Taxation	**(3)**	121	117	(3)	120	33
Net (loss)/profit attributable to ordinary shareholders	**(88)**	244	974	(127)	381	427
Headline earnings	**226**	285	299	207	366	427
BALANCE SHEETS						
Total shareholders' interest	**2 475**	3 238	3 065	3 088	3 342	3 072
Deferred taxation	**(207)**	(182)	(215)	(67)	66	98
Net interest-bearing debt	**987**	74	124	1 522	662	409
Capital employed	**3 255**	3 130	2 974	4 543	4 070	3 579
Represented by:						
Property, plant, equipment, goodwill and investments	**2 606**	2 482	2 657	3 599	3 002	2 768
Current assets excluding cash, less interest-free liabilities	**649**	648	317	944	1 068	811
Employment of capital	**3 255**	3 130	2 974	4 543	4 070	3 579
CASH FLOW STATEMENTS						
Cash generated by operations [1]	**447**	527	610	444	680	627
Investment in working capital	**72**	149	207	14	366	(73)
Expenditure relating to exceptional items and long-term provisions	**88**	210	242	131	28	55
Net investments to maintain operations [2]	**96**	(6)	51	106	23	88
Other investment activities	**–**	–	–	–	–	864
	191	174	110	193	263	1 421
Normal dividends paid	**87**	134	99	149	153	135
	104	40	11	44	110	1 286
Investment in expansion of assets [2]	**374**	218	148	897	333	268
Proceeds from disposal of investments and businesses	**65**	224	2 432	14	–	–
Special dividend paid	**–**	–	928	–	–	–
Net cash (utilised)/generated	**(205)**	46	1 367	(839)	(223)	1 018
Depreciation charges	**221**	205	286	337	265	235
COMMITMENTS						
Capital expenditure authorised	**102**	235	181	175	426	258
Future rentals on property, plant and equipment leased	**179**	162	173	230	160	164
	281	397	354	405	586	422

(1) Net trading profit plus depreciation of property, plant and equipment and other non-cash flow items and after investment income, financing costs and taxes paid.

(2) Excludes property, plant and equipment of companies acquired.

HISTORICAL REVIEWS

Ratios and employee details

	2001	2000	1999	1998	1997	1996
PROFITABILITY AND ASSET MANAGEMENT						
Net trading profit to revenue (%)	**7.3**	7.9	7.8	7.4	8.1	9.8
Trading cash flow to revenue (%)	**10.6**	11.3	11.7	11.3	11.3	13.0
Return on net assets (%)[1]	**13.7**	13.5	16.1	12.9	15.3	21.4
Return on ordinary shareholders' interest (%)	**10.0**	9.3	10.2	7.0	11.4	14.5
Net working capital to revenue (%)[2]	**17.5**	19.5	16.4	17.7	17.4	15.7
Stock cover (days)	**81**	74	52	72	69	67
Average credit extended to customers (days)	**66**	65	53	59	57	64
LIQUIDITY						
Cash interest cover[3]	**5.1**	25.2	7.2	3.1	6.6	4.2
Interest-bearing debt to cash generated by operations	**1.5**	0.1	0.1	1.5	0.7	0.4
Gearing (%)[4]	**40**	2	4	49	20	14
Current assets to current liabilities	**1.6**	1.4	1.3	1.2	1.4	1.4
EMPLOYEES						
Number of employees at year-end[5]	**8 164**	8 412	9 850	15 700	15 900	15 700
Employee remuneration (R millions)	**1 123**	1 043	1 314	1 558	1 372	1 262
Value added per rand of employee remuneration (Rand)	**1.68**	1.72	1.79	1.66	1.73	1.88

(1) Net trading profit plus investment income – related to property, plant, equipment and goodwill, investments, inventory and accounts receivable less accounts payable.

(2) Excluding businesses sold and equity-accounted.

(3) Ratio of net trading profit plus depreciation plus dividends received to net interest paid.

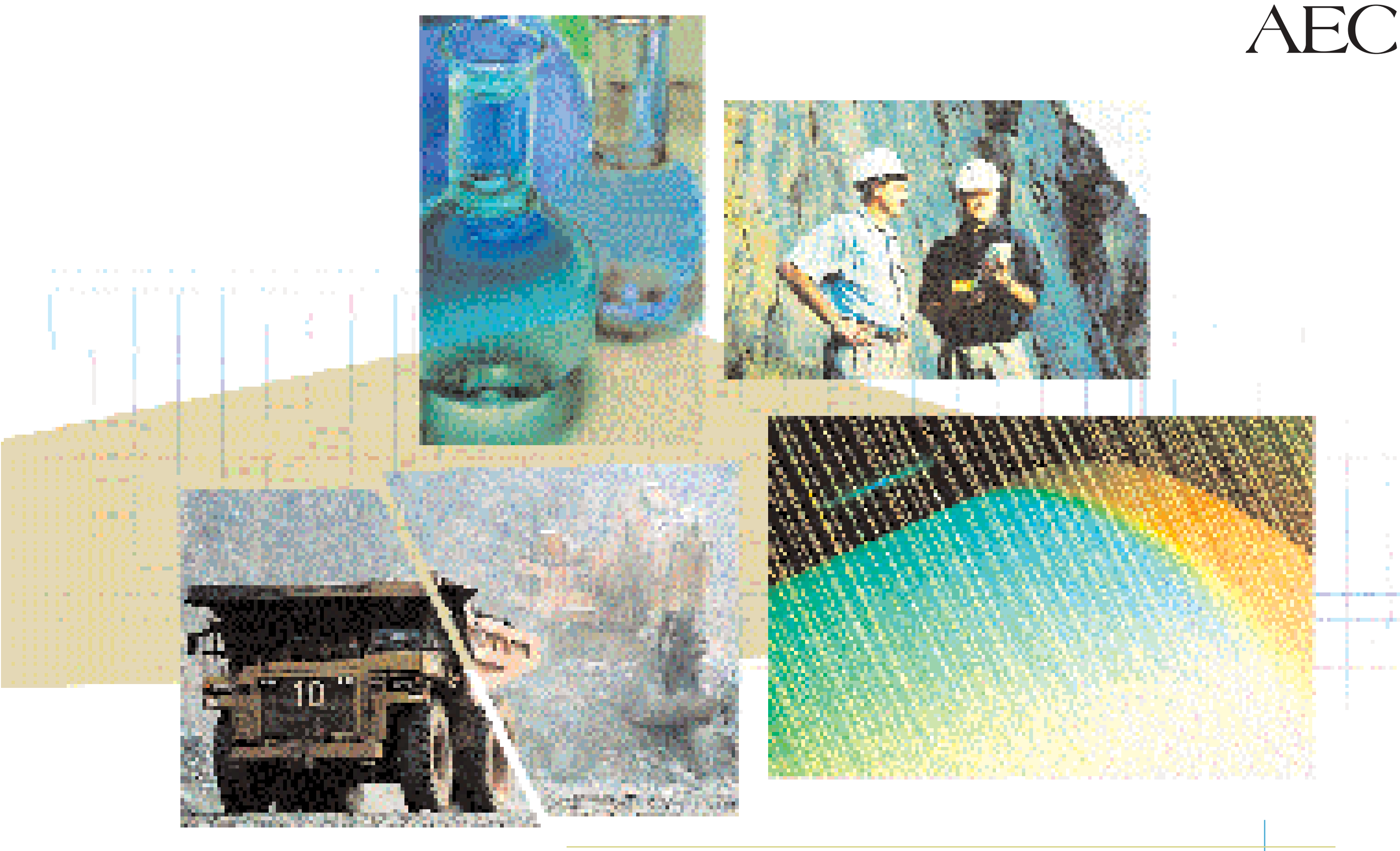
(4) Interest-bearing debt less liquid funds as a percentage of total shareholders' interest.

(5) Includes proportional share of joint venture employees.

JSE Securities Exchange SA and share performance

	2001	2000	1999	1998	1997	1996
SECURITIES EXCHANGE PERFORMANCE						
Market price (cents per share)						
High	**1 890**	1 675	2 050	2 860	2 850	2 845
Low	**1 275**	1 050	650	690	1 500	2 050
31 December	**1 720**	1 310	1 255	750	1 520	2 600
Earnings yield (%)	**14.1**	14.1	15.4	17.9	15.6	10.6
Dividend yield (%)*	**5.1**	6.1	6.3	7.3	5.9	3.5
Dividend cover*	**2.8**	2.3	2.4	2.4	2.6	3.0
In issue (millions)	**93.2**	154.7	154.7	154.7	154.7	154.7
Value traded (R millions)	**865.6**	585.1	1 043.7	965.5	579.8	372.8
Volume traded (millions)	**52.7**	44.3	77.4	59.4	24.7	15.4
Volume traded (%)	**56.6**	28.6	50.0	38.4	16.0	10.0
Market capitalisation (R millions)	**1 780.0**	2 026.1	1 941.1	1 160.0	2 350.9	4 021.3
ORDINARY SHARE PERFORMANCE (CENTS PER SHARE)						
Headline earnings	**243**	184	193	134	237	276
Dividends declared	**87**	80	80	55	90	90
Special dividend	**–**	–	600	–	–	–
Net asset value	**2 430**	1 979	1 888	1 914	2 071	1 910

** The interim dividend in the current year and the final dividend declared, not yet paid at year-end, have been used in the calculation.*



FINANCIAL STATEMENTS

for the year ended 31 December 2001

Contents

Foreign currencies

The following conversion guide is provided to facilitate the interpretation of this report. At 31 December one foreign unit was worth approximately:

	2001	2000
	R	R
Euro	**10.68**	7.04
Pound sterling	**17.43**	11.31
Swiss franc	**7.22**	4.62
US dollar	**11.99**	7.57

REPORT OF THE INDEPENDENT AUDITORS

To the members of AECI Limited

We have audited the financial statements and Group annual financial statements of AECI Limited, set out on pages 35 to 69, for the year ended 31 December 2001. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with Statements of South African Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

We believe that our audit provides a reasonable basis for our opinion.

Audit opinion

In our opinion, the financial statements fairly present, in all material respects, the financial position of the Company and of the Group at 31 December 2001, and the results of their operations and cash flows for the year then ended in accordance with South African Statements of Generally Accepted Accounting Practice, and in the manner required by the Companies Act in South Africa.

KPMG Inc.
Registered Accountants and Auditors

Sandton, 25 February 2002

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

The following reports and statements have been approved by the Board of directors:

Corporate governance
Directors' report
Accounting policies and definitions
Income statements
Balance sheets
Cash flow statements
Statements of changes in shareholders' equity
Notes to the financial statements
Appendices to the financial statements

For and on behalf of the Board

A E Pedder
Chairman

L C van Vught
Chief Executive

Sandton, 25 February 2002

DECLARATION BY THE COMPANY SECRETARY

The secretary certifies that the Company has lodged with the Registrar of Companies all such returns as are required of a public company, in terms of the Companies Act, No. 61 of 1973, as amended, and that all such returns are true, correct and up to date.

M J F Potgieter
Secretary

Sandton, 25 February 2002

DIRECTORS' REPORT

The activities and results of the Group have been reviewed on pages 10 to 27.

Statutory information

Share capital

The issued ordinary share capital of the Company as at 31 December 2001 was R103 488 608.

Strate

Dematerialisation of the Company's issued shares commenced in July 2001. Shares still in paper form are no longer good for delivery and will require to be dematerialised before participation in any transaction. Shareholders may direct any enquiries in this regard to the Company's share registrars on telephone number 0861 100 950.

Dividends

Details of the dividends paid on the Company's ordinary and preference shares during the 2001 financial year are set out in note 7 to the financial statements.

Directorate

Details of the directorate and secretary of the Company are shown on page 4 and on the inside back cover respectively.

The following directors retire in terms of the Company's articles of association at the annual general meeting on 27 May 2002:

In terms of article 24(d)(i)	Z M Jakavula
In terms of article 25(c)(i)	N C Axelson
	C B Brayshaw

These gentlemen, being eligible, have offered themselves for re-election.

At 31 December 2001 the directors had beneficial interests in 450 ordinary shares of the Company (2000 – 450). The Company is not aware of the extent, if any, of the directors' family interests.

Subsidiaries and joint ventures

Details of each trading subsidiary and joint venture are set out in the appendices from page 67 to page 69.

The aggregate net profits and losses after taxation of South African subsidiaries and joint ventures attributable to the Company for the year 2001 were as follows:

Profits	R330 million (2000 – R143 million)
Losses	R145 million (2000 – R52 million)

ACCOUNTING POLICIES AND DEFINITIONS

The principal accounting policies of the Group are consistent with those followed in the previous year except where specifically indicated in note 8 to the financial statements.

Statement of compliance

The financial statements and Group financial statements are prepared in accordance with South African Statements of Generally Accepted Accounting Practice and the requirements of the South African Companies Act.

Basis of accounting

The financial statements and Group financial statements are drawn up on the historical cost basis of accounting, modified to include the revaluation of certain property, plant and equipment as well as the revaluation of available-for-sale investments to fair value.

Subsidiaries

Subsidiaries are those entities over whose financial and operating policies the Group has power to exercise control, so as to obtain benefits from their activities.

The Group financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included from the dates effective control was acquired and up to the dates effective control ceased.

Joint ventures and partnerships

Joint ventures are those entities in respect of which there is a contractual agreement whereby the Group and one or more other venturers undertake an economic activity, which is subject to joint control.

The Company's participation in joint ventures and partnerships is accounted for using the proportionate consolidation method by including its share of the underlying assets and liabilities and income statement items under appropriate headings from the effective date of acquisition.

Associated companies

Associated companies are those companies, which are not subsidiaries or joint ventures, in which the Group holds an equity interest and over which it has the ability to exercise significant influence.

Associated companies are accounted for on the equity method from the effective dates of acquisition.

Equity-accounted income, which is included in the respective carrying values of the investments, represents the Group's proportionate share of the associated companies' retained income after accounting for dividends paid by those associates.

The equity-accounted retained earnings of associates are transferred to non-distributable reserves.

Goodwill

The excess of cost of consolidated subsidiaries, joint ventures and associated companies over their fair net asset value at acquisition is capitalised as goodwill and amortised over a maximum period of 20 years. Goodwill is amortised on a straight-line basis over its estimated useful life.

Deferred taxation

Deferred taxation is calculated using the balance sheet liability method, based on temporary differences, and represents the potential future liability for taxation in respect of items which are recognised for income tax purposes in periods different from those during which they are brought to account in the financial statements, except differences relating to goodwill and revaluation of property. Temporary differences are differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax value. In determining the liability, account is taken of tax losses. Deferred taxation released as a result of transfers of property, plant and equipment to and from subsidiaries at income tax values is re-established by the transferee company.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the associated unused tax losses and deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Property, plant and equipment

Property, plant and equipment are reflected at their cost or valuation to the Group company which first acquired them, less accumulated depreciation and accumulated impairment losses. Property, plant and equipment transferred to or from subsidiaries at income tax values are written up or down to their original cost to the Group. Depreciation is provided on property, plant and equipment, other than land and investment properties, on the straight-line basis at rates which will write off the assets over their estimated residual productive lives as revised from time to time. Investment properties, mainly comprising property surplus to the Group's requirements, are valued from time to time by sworn appraisers. The basis of valuation is their open-market value and any surplus arising on valuation is transferred to non-distributable reserves.

Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If there is any indication that an asset may be impaired, its recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use.

Inventory

Inventories of raw and packing materials, products and intermediates and merchandise are valued at average cost or actual cost using the first-in-first-out (FIFO) method.

The cost of products and intermediates comprises raw and packing materials, manufacturing costs and depreciation.

Specific plant spares are valued at average cost and are written off over the estimated residual productive lives of the plants to which they relate. Other spares and stores are valued at average cost less appropriate provisions for obsolescence.

Property developments include the cost of properties acquired for re-sale and development costs.

In all cases, inventories are valued at the lower of average or actual cost and net realisable value.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefits will occur and where a reliable estimate can be made of the amount of the obligation.

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced publicly. Costs relating to ongoing activities are not provided for.

Environmental remediation

Environmental expenditure not of a capital nature is charged to income in the year in which it is incurred. A provision for environmental remediation is recognised in accordance with the Group's environmental policy and applicable legal requirements. The adequacy of the provision is reviewed from time to time against changed circumstances, legislation and technology.

Revenue

Revenue comprises net invoiced sales to customers excluding value-added tax. The Group eliminates intercompany and interdivisional sales.

Foreign currency translations

Foreign currency transactions and balances

Assets and liabilities in foreign currencies are translated at the rates of exchange ruling at balance sheet date.

Income, expenditure and cash flow items are translated at the weighted average rates of exchange during the accounting period. Gains or losses arising on translation are credited to or charged against income.

Differences arising from exchange rate fluctuations are taken to income when they occur. Costs associated with forward cover contracts linked to borrowings are included in financing costs.

Foreign entities

Financial statements of foreign subsidiaries classified as entities are translated into South African rand as follows:

- assets and liabilities at rates of exchange ruling at the financial year-end;
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period; and
- differences arising on translation are reflected in non-distributable reserves.

Foreign operations

Financial statements of foreign subsidiaries classified as operations are translated into South African rand as follows:

- monetary assets and liabilities at rates of exchange ruling at the financial year-end;
- non-monetary items at historical rates;
- income, expenditure and cash flow items at the weighted average rate of exchange during the accounting period; and
- differences arising on translation are taken to income for the period.

Financial instruments

The Group uses derivative financial instruments, currency swaps, forward rate agreements and forward exchange contracts to manage its exposure to foreign exchange, interest rate and commodity price risks arising from operational, financing and investment activities. The Group does not hold or issue derivative financial instruments for trading purposes.

Financial instruments are recognised initially at cost. Subsequent to initial recognition these instruments are measured as set out below.

Investments

Listed investments classified as available-for-sale financial assets are carried at market value, which is calculated by reference to stock exchange quoted ruling prices at the close of business on the balance sheet date.

Unlisted investments are stated at cost less amounts written off and provision for diminution in value where, in the opinion of the directors, a permanent diminution in value has occurred.

Accounts receivable

Accounts receivable are stated at cost less provision for doubtful debts.

Cash and cash equivalents

Cash and cash equivalents are measured at fair value, based on the relevant exchange rates at balance sheet date.

Financial assets

Financial assets are recognised when the Group has rights or other access to economic benefits. Such assets consist of cash, equity instruments, a contractual right to receive cash or another financial asset, or a contractual right to exchange financial instruments with another entity on potentially favourable terms.

Financial liabilities

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms.

Where these criteria no longer apply, a financial asset or liability is no longer recognised.

Derivative instruments

Derivative instruments are measured at fair value. The fair value of forward rate agreements is the estimated amount that the Group would receive or pay to terminate the forward rate agreement at the balance sheet date, taking into account current interest rates and current creditworthiness of the forward rate agreement counterparties. The fair value of forward exchange contracts is their quoted market price at the balance sheet date.

Offset

If a legally enforceable right exists to set off recognised amounts of financial assets and liabilities, which are in determinable monetary amounts, and the Group intends to settle on a net basis, the relevant financial assets and liabilities are offset.

Hedge of recognised assets and liabilities

Where a derivative financial instrument hedges a recognised receivable or payable, any resultant gain or loss on the derivative financial instrument is recognised in the income statement. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

Dividend income

Dividends are brought to account in the year in which they are received.

Research and development

Research costs are written off in the year in which they are incurred. Development costs are reviewed annually and are expensed if they do not qualify for capitalisation. If a project is abandoned during the development stage, the total accumulated expenditure is then written off.

Leases

Finance leases

Leases that transfer substantially all the risks and rewards of ownership of the underlying asset to the Group are classified as finance leases. Assets acquired in terms of finance leases are capitalised at the lower of fair value and the present value of the minimum lease payments at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases is included as a liability in the balance sheet. Lease payments are allocated using the effective interest rate method to determine the lease finance cost, which is charged against income over the lease period, and the capital repayment, which reduces the liability to the lessor.

Operating leases
Leases where the lessor retains the risks and rewards of ownership of the underlying asset are classified as operating leases. Payments made under operating leases are charged against income on a straight-line basis over the period of the lease.

Employee benefits
Short-term employee benefits
The cost of all short-term employee benefits is recognised during the period in which the employee renders the related service.

The provisions for employee entitlements to salaries, performance bonuses and annual leave represent the amount which the Group has a present obligation to pay as a result of employees' services provided to the balance sheet date. The provisions have been calculated at undiscounted amounts based on current salary rates.

Retirement benefits
The Group provides defined benefit and defined contribution funds for the benefit of employees, the assets of which are held in separate funds. These funds are funded by payments from employees and the Group, taking account of recommendations of independent actuaries. The Group's contributions to the funds are charged to the income statement in the year to which they relate.

The Projected Unit Credit Method is used to determine the present value of the defined benefit obligations.

The net surplus or deficit in the benefit obligation is the difference between the present value of the funded obligation and the fair value of plan assets. No actuarial surplus is recognised, as the Group's ability to access the future economic benefits is uncertain.

Post-employment medical aid benefits
The present value of the post-employment medical aid obligations is actuarially determined annually on the projected unit credit method. The shortfall in the liability so determined is being phased in over five years in accordance with AC 116 (Revised), "Employee Benefits".

Equity compensation benefits
The Group grants share options to certain employees under a share option scheme. Other than costs incurred in administering the schemes, which are expensed as incurred, the scheme does not result in any expense to the Group.

Segment reporting
On a primary basis, the Group is organised as follows:

- Mining solutions, comprising mainly the manufacture of explosives used by the mining industry;
- Specialty chemicals, comprising niche-orientated small to medium-sized businesses marketing specialty chemicals to a broad range of industries;
- Specialty fibres, comprising mainly the manufacture of nylon and polyester industrial yarns used for industrial purposes;
- Property, comprising mainly the realisation of surplus land and property assets of the Group; and
- Other businesses, comprising non-core businesses of the Group.

On a secondary segment basis, the geographical locations of the Group's activities have been identified.

The basis of segment reporting is representative of the internal structure used for management reporting.

Comparative figures
Whenever accounting policies are changed, comparative figures are restated in accordance with the new policies.

INCOME STATEMENTS

for the year ended 31 December 2001

	Notes	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
REVENUE		**6 745**	6 009	**3 952**	4 037
NET TRADING PROFIT	1	**492**	474	**154**	228
Net financing costs	2	**(141)**	(27)	**(97)**	(19)
Dividends received	3	**2**	10	**39**	92
		353	457	**96**	301
Provision for post-employment medical aid benefits		**(20)**	–	**(20)**	–
Amortisation of goodwill	10	**(56)**	(30)	**(21)**	(21)
Exceptional items	4	**(371)**	(30)	**(311)**	25
NET (LOSS)/PROFIT BEFORE TAXATION		**(94)**	397	**(256)**	305
Taxation	5	**3**	(121)	**43**	(63)
Normal activities		**(85)**	(137)	**(38)**	(71)
Exceptional items	4	**88**	16	**81**	8
NET (LOSS)/PROFIT AFTER TAX		**(91)**	276	**(213)**	242
Share of associated companies' income		**23**	–		
Attributable to preference and outside shareholders		**(20)**	(32)	**(2)**	(2)
Normal activities		**(45)**	(35)	**(2)**	(2)
Amortisation of goodwill		**12**	–		
Exceptional items	4	**13**	3		
NET (LOSS)/PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS		**(88)**	244	**(215)**	240
Attributable (loss)/earnings per ordinary share (cents)	6	**(95)**	158		
Diluted (loss)/earnings per share (cents)		**(91)**	158		
Headline earnings per ordinary share (cents)		**243**	184		
Diluted headline earnings per ordinary share (cents)		**235**	184		
Dividends paid per ordinary share (cents)					
Normal	7	**82**	80		
Dividends declared but not provided for per ordinary share (cents)					
Normal		**55**	50		

BALANCE SHEETS

as at 31 December 2001

		Group		Company	
		2001	2000	**2001**	2000
	Notes	**R millions**	R millions	**R millions**	R millions
ASSETS					
Non-current assets		**2 606**	2 482	**2 369**	2 320
Property, plant and equipment	9	**1 910**	1 798	**774**	883
Goodwill	10	**525**	428	**333**	354
Investment in associated companies	11	**87**	166	**5**	106
Other investments	11	**84**	90	**32**	41
Subsidiaries	12			**1 225**	936
Current assets		**3 277**	3 291	**1 661**	2 185
Inventory	13	**1 231**	1 035	**544**	545
Accounts receivable	14	**1 469**	1 219	**808**	802
Cash and cash equivalents		**577**	1 037	**309**	838
Total assets		**5 883**	5 773	**4 030**	4 505
EQUITY AND LIABILITIES					
Ordinary capital and reserves		**2 264**	3 061	**1 650**	2 528
Capital	15	**95**	228	**105**	228
Reserves – non-distributable		**662**	608	**424**	456
– distributable		**1 507**	2 225	**1 121**	1 844
Preference capital	15	**6**	6	**6**	6
Outside shareholders' interest in subsidiaries		**205**	171		
Total shareholders' interest		**2 475**	3 238	**1 656**	2 534
Non-current liabilities		**1 391**	184	**1 341**	130
Deferred taxation	16	**(207)**	(182)	**(183)**	(174)
Long-term borrowings	17	**1 248**	38	**1 206**	9
Long-term provisions	18	**350**	328	**318**	295
Current liabilities		**2 017**	2 351	**1 033**	1 841
Accounts payable	19	**1 530**	1 160	**842**	734
Provision for restructuring		**109**	62	**109**	50
Short-term borrowings	20	**316**	1 073	**46**	1 019
Taxation		**62**	56	**36**	38
Total equity and liabilities		**5 883**	5 773	**4 030**	4 505

CASH FLOW STATEMENTS

for the year ended 31 December 2001

	Notes	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
CASH GENERATED BY OPERATIONS	i	**660**	608	**352**	353
Dividends received		**2**	10	**39**	92
Net financing costs		**(141)**	(27)	**(97)**	(19)
Taxes (paid)/refunded	ii	**(74)**	(64)	**(11)**	8
Changes in working capital	iii	**(72)**	(149)	**1**	(173)
Expenditure relating to long-term provisions		**(14)**	(20)	**(13)**	(17)
Expenditure relating to restructuring		**(74)**	(190)	**(51)**	(162)
CASH AVAILABLE FROM OPERATING ACTIVITIES		**287**	168	**220**	82
Dividends paid	iv	**(87)**	(134)	**(87)**	(125)
CASH RETAINED FROM/(ABSORBED BY) OPERATING ACTIVITIES		**200**	34	**133**	(43)
CASH (UTILISED IN)/GENERATED BY INVESTING ACTIVITIES		**(405)**	12	**(248)**	(12)
Net investments to maintain operations		**(96)**	6	**(102)**	(71)
Replacement of property, plant and equipment		**(148)**	(124)	**(116)**	(92)
Proceeds from disposal of property, plant and equipment		**52**	130	**14**	21
Investments to expand operations		**(374)**	(218)	**(466)**	(205)
Acquisition of – property, plant and equipment		**(276)**	(147)	**(67)**	(85)
– investments		**(8)**	51	**9**	54
– joint ventures		**(8)**	–	**–**	–
– subsidiaries		**(82)**	(122)	**(408)**	(174)
Proceeds from disposal of investments and businesses		**65**	224	**320**	264
Proceeds from disposal of – subsidiaries		**3**	20	**100**	18
– sale of businesses		**62**	182	**220**	238
– unlisted investments		**–**	12	**–**	8
– listed investments		**–**	10	**–**	–
SHARES REPURCHASED		**(775)**	–	**(656)**	–
NET CASH (UTILISED)/GENERATED		**(980)**	46	**(771)**	(55)
Long-term borrowings – raised		**1 284**	27	**1 252**	9
– repaid		**(52)**	(376)	**(45)**	(364)
Movement in short-term borrowings		**(768)**	444	**(983)**	495
Proceeds from shares issued		**2**	–	**2**	–
Proceeds of shares issued by subsidiaries		**–**	2		
CASH EFFECTS OF FINANCING ACTIVITIES		**466**	97	**226**	140
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(514)**	143	**(545)**	85
Cash and cash equivalents at the beginning of the year		**1 037**	889	**838**	753
Translation gain on cash and cash equivalents		**54**	5	**16**	–
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**577**	1 037	**309**	838

NOTES TO THE CASH FLOW STATEMENTS

for the year ended 31 December 2001

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
i. Cash generated by operations				
Net trading profit	**492**	474	**154**	228
Depreciation of property, plant and equipment	**221**	205	**142**	158
Provisions – investments	**–**	–	**69**	25
– long-term provisions	**–**	(35)	**–**	(35)
(Surplus)/loss on disposal of property, plant and equipment	**(26)**	(30)	**3**	–
Loss/(surplus) on disposal of investments	**1**	(6)	**–**	(23)
Surplus on disposal of businesses	**(2)**	–	**–**	–
Translation differences	**(16)**	–	**(16)**	–
Revaluation of investments	**(10)**	–	**–**	–
	660	608	**352**	353
ii. Taxes paid/(refunded)				
Owing at the beginning of the year	**56**	45	**38**	28
Current charge for the year – normal activities	**87**	77	**9**	2
– exceptional items	**(6)**	(1)	**–**	–
Changes in the Group	**(1)**	(1)	**–**	–
Owing at the end of the year	**62**	56	**36**	38
	74	64	**11**	(8)
iii. Changes in working capital				
Inventory	**(196)**	(96)	**1**	69
Accounts receivable	**(250)**	32	**(6)**	81
Accounts payable	**370**	(33)	**108**	(147)
	(76)	(97)	**103**	3
Non-trade payables	**(48)**	(5)	**(46)**	(7)
Translation differences	**93**	7	**1**	–
Changes in the Group	**(41)**	(54)	**(57)**	(169)
	(72)	(149)	**1**	(173)
iv. Dividends paid				
Paid during the year	**78**	125	**87**	125
Paid to outside shareholders	**9**	9		
	87	134	**87**	125
v. Changes in the Group				
Property, plant and equipment	**(115)**	(91)	**(137)**	(136)
Investments	**(112)**	(16)	**(101)**	(9)
Subsidiaries	**–**	–	**(159)**	71
Working capital	**(41)**	(54)	**(57)**	(169)
Restructuring provision	**(21)**	–	**(23)**	9
Deferred taxation and taxation	**(14)**	2	**–**	–
Borrowings	**(11)**	(2)	**–**	–
Outside shareholders' interest in subsidiaries	**12**	(6)		
Non-distributable reserves	**–**	6	**–**	–
Net loss/(surplus) on disposal of investments and businesses	**200**	5	**157**	(30)
Goodwill	**153**	76	**–**	–
Net purchase price/(proceeds)	**51**	(80)	**(320)**	(264)
Cash and cash equivalents acquired/(disposed)	**1**	10	**–**	(2)
	52	(70)	**(320)**	(266)

STATEMENT OF CHANGES IN ORDINARY SHAREHOLDERS' EQUITY

for the year ended 31 December 2001

R millions	Ordinary share capital	Share premium	**Total ordinary capital**
GROUP			
Balance at 1 January 2000	155	73	**228**
Change in accounting policy (note 8)			
Restated balance at 1 January 2000	155	73	**228**
Net profit attributable to ordinary shareholders			
Dividends paid			
Currency translation differences			
Surplus arising on revaluation of property transferred to retained income			
Retained income of associated companies			
Balance at 31 December 2000	155	73	**228**
Net loss attributable to ordinary shareholders			
Dividends paid			
Currency translation differences			
Deferred taxation on currency translation differences			
Surplus arising on revaluation of property transferred to retained income			
Retained income of associated companies			
Share option scheme		2	**2**
Shares repurchased during the year	(62)	(73)	**(135)**
Shares cancelled	(52)	(73)	**(125)**
Treasury shares	(10)		**(10)**
Sale of associated company			
Transfers from income statement			
Balance at 31 December 2001	**93**	**2**	**95**
COMPANY			
Balance at 1 January 2000	155	73	**228**
Change in accounting policy (note 8)			
Restated balance at 1 January 2000	155	73	**228**
Net profit attributable to ordinary shareholders			
Dividends paid			
Balance at 31 December 2000	155	73	**228**
Net loss attributable to ordinary shareholders			
Dividends paid			
Currency translation differences			
Deferred taxation on currency translation differences			
Share option scheme		2	**2**
Shares repurchased during the year	(52)	(73)	**(125)**
Balance at 31 December 2001	**103**	**2**	**105**

Surplus arising on revaluation of property	Foreign currency translation reserve	Retained earnings of associated companies	Other non-distributable reserves	**Total non-distributable reserves**	**Retained income**	**Total**
526	31	37	2	**596**	**2 019**	**2 843**
					77	**77**
526	31	37	2	**596**	**2 096**	**2 920**
					244	**244**
					(123)	**(123)**
	19			**19**	**1**	**20**
(1)				**(1)**	**1**	**–**
		(6)		**(6)**	**6**	**–**
525	50	31	2	**608**	**2 225**	**3 061**
					(88)	**(88)**
					(76)	**(76)**
	165			**165**	**8**	**173**
	(33)			**(33)**		**(33)**
(4)				**(4)**	**4**	**–**
		23		**23**	**(23)**	**–**
						2
(130)				**(130)**	**(510)**	**(775)**
(108)				**(108)**	**(423)**	**(656)**
(22)				**(22)**	**(87)**	**(119)**
		30		**30**	**(30)**	**–**
			3	**3**	**(3)**	**–**
391	**182**	**84**	**5**	**662**	**1 507**	**2 264**
456				**456**	**1 650**	**2 334**
					77	**77**
456				**456**	**1 727**	**2 411**
					240	**240**
					(123)	**(123)**
456				**456**	**1 844**	**2 528**
					(215)	**(215)**
					(85)	**(85)**
	109			**109**		**109**
	(33)			**(33)**		**(33)**
						2
(108)				**(108)**	**(423)**	**(656)**
348	**76**			**424**	**1 121**	**1 650**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2001

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
1. NET TRADING PROFIT				
Net trading profit has been arrived at after taking into account:				
Cost of sales	**4 574**	3 780	**2 571**	2 495
Selling and distribution expenses	**1 083**	1 043	**789**	810
Administrative expenses	**596**	747	**438**	539
	6 253	5 570	**3 798**	3 844
Profit from operations has been arrived at after taking into account:				
Auditors' remuneration	**9**	10	**3**	6
– Audit fees	**8**	9	**3**	5
– Other services	**1**	1	**–**	1
Depreciation of property, plant and equipment	**221**	205	**142**	158
Buildings	**16**	18	**9**	11
Plant and equipment	**205**	187	**133**	147
Directors' emoluments (see note 25)	**5**	5	**5**	5
Non-executive	**1**	*	**1**	*
Executive	**4**	5	**4**	5
Foreign exchange gains	**204**	46	**125**	25
– Realised	**63**	34	**35**	25
– Unrealised	**141**	12	**90**	*
Foreign exchange losses	**63**	17	**5**	1
– Realised	**14**	11	**1**	1
– Unrealised	**49**	6	**4**	*
(Decrease)/increase in provisions	**–**	(36)	**69**	(11)
– Investments	**–**	–	**69**	25
– Share incentive scheme – benefit units	**–**	(35)	**–**	(35)
– Maintenance	**–**	(1)	**–**	(1)
Research expenditure	**51**	36	**44**	33
Surplus/(loss) on disposal of property, plant and equipment	**26**	30	**(3)**	–
Surplus land holdings	**34**	21	**–**	–
Property	**(1)**	11	**–**	3
Plant and equipment	**(7)**	(2)	**(3)**	(3)
(Loss)/surplus on disposal of investments	**(1)**	6	**–**	23
Salaries and other staff costs	**1 123**	1 043	**727**	747
Technical fees paid	**4**	15	**1**	8

** Nominal amount*

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions

2. Net financing costs

Interest paid	**(165)**	(87)	**(124)**	(71)
Long-term borrowings	**(17)**	(15)	**(10)**	(12)
Short-term borrowings	**(148)**	(72)	**(114)**	(59)
Interest received	**24**	60	**27**	52
	(141)	(27)	**(97)**	(19)

3. Dividends received

Dividends from unlisted associated companies	**–**	1	**–**	–
Dividends from other investments	**2**	9	**1**	5
– Listed investments	**1**	1	**–**	–
– Unlisted investments	**1**	8	**1**	5
Dividends from subsidiaries			**38**	87
South African				
– Listed			**23**	16
– Unlisted			**15**	68
Foreign				
– Unlisted			**–**	3
	2	10	**39**	92
Aggregate income from subsidiaries and joint ventures				
Dividends			**38**	87
Interest			**18**	4
Secretarial and administrative fees			**14**	3
			70	94

4. Exceptional items

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
Long-term provisions				
– Environmental remediation	**(36)**	(8)	**(36)**	(8)
Costs related to restructuring	**(171)**	(8)	**(92)**	26
– Write-down of assets	**(16)**	–	**(7)**	–
– Retrenchment costs	**(80)**	(18)	**(45)**	(2)
– Other closure costs	**(75)**	10	**(40)**	28
Net (loss)/gain on disposal of investments	**(164)**	(8)	**(183)**	7
Attributable to associated companies – retrenchment costs	**–**	(6)		
Exceptional items before taxation	**(371)**	(30)	**(311)**	25
Tax effect	**88**	16	**81**	8
– Normal	**6**	1	**–**	–
– Deferred	**82**	15	**81**	8
Exceptional items after taxation	**(283)**	(14)	**(230)**	33
Attributable to outside shareholders	**13**	3		
	(270)	(11)	**(230)**	33

	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
5. Taxation				
South African and foreign taxes				
Normal, secondary and foreign	**(75)**	(72)	**(1)**	(2)
Normal activities	**(81)**	(75)	**(1)**	(2)
Change in accounting policy (see note 8)	**–**	2	**–**	–
Exceptional items	**6**	1	**–**	–
Deferred	**61**	(48)	**39**	(65)
Normal activities	**(21)**	(63)	**(42)**	(73)
Exceptional items	**82**	15	**81**	8
	(14)	(120)	**38**	(67)
Adjustment for prior years	**17**	(1)	**5**	4
Normal, secondary and foreign	**(6)**	(4)	**(8)**	–
Deferred	**23**	3	**13**	4
	3	(121)	**43**	(63)
Computed tax losses	**1 068**	1 050	**774**	902
Reconciliation of tax rate computed in relation to profit before exceptional items and investment income	**%**	%	**%**	%
Effective rate	**25.9**	31.1	**102.9**	34.0
Capital and non-taxable receipts	**5.8**	4.0	**1.7**	2.0
Expenses not allowable	**(5.4)**	(1.6)	**(87.0)**	(6.2)
Secondary and foreign taxes	**(1.7)**	(3.2)	**(1.9)**	(1.0)
Adjustment for prior years	**4.9**	(0.1)	**14.4**	1.7
Other	**0.5**	(0.2)	**(0.1)**	(0.5)
South African standard rate	**30.0**	30.0	**30.0**	30.0

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions

6. Earnings per ordinary share

Number of weighted average ordinary shares in issue 92 936 663 net of treasury shares (2000 – 154 666 813).

Headline earnings per ordinary share are derived from:

	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
Net (loss)/profit attributable to ordinary shareholders	**(88)**	244		
Exceptional items net of taxation and outside shareholders (see note 4)	**270**	11		
Amortisation of goodwill	**44**	30		
	226	285		

Diluted earnings per share

The calculation of fully diluted earnings per share is based on a weighted average number of ordinary shares in issue during the period adjusted for the effect of all possible dilutions of 3 334 915 shares (2000 – nil).

	Group	
	2001	2000
Reconciliation of the weighted average number of ordinary shares for diluted earnings per share:		
Weighted average number of ordinary shares	**92 936 663**	154 666 813
Number of options available for future exercise	**5 041 600**	–
Number of shares that would be issued at fair value	**(1 706 685)**	–
Weighted average number of ordinary shares for diluted earnings per share calculation	**96 271 578**	154 666 813

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
7. Dividends paid				
Ordinary	**76**	123	**85**	123
Final for previous year: No. 134 of 50 cents (1999 – 50 cents), paid 25 April 2001	**46**	77	**52**	77
Interim for current year: No. 135 of 32 cents (2000 – 30 cents) paid 25 September 2001	**30**	46	**33**	46
Preference Nos. 126 and 127 paid 15 June 2001 and 18 December 2001 respectively	**2**	2	**2**	2
	78	125	**87**	125

8. Changes in accounting policies

Changes to Statements of Generally Accepted Accounting Practice

The Group adopted the following change to Statements of Generally Accepted Accounting Practice, which became effective during 2001:

Statement AC107 (Revised), "Events after the balance sheet date", requires a change in the treatment of dividends. Previously, dividends proposed but not formally declared at the balance sheet date were accounted for in the year in which the dividend was proposed. In terms of Statement AC107, dividends must be accounted for in the year in which they are paid unless a legal obligation exists to pay such dividends at the balance sheet date. This resulted in the opening retained income being restated as follows:

	Group 2001	Group 2000	Company 2001	Company 2000
Increase in the opening retained income				
Reversal of dividends proposed	**49**	77	**52**	77

In anticipation of the introduction of Statement AC 133, "Financial instruments: Recognition and measurement", listed investments have been classified as available-for-sale, at fair value. The effect of this change is as follows:

	Group 2001	Group 2000	Company 2001	Company 2000
Increase in net (loss)/profit attributable to ordinary shareholders				
Revaluation of available-for-sale listed investments to fair value	**10**	–	**–**	–

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
9. PROPERTY, PLANT AND EQUIPMENT				
Property				
Cost or valuation	**968**	935	**236**	231
At the beginning of the year	**935**	1 011	**231**	260
Additions	**38**	33	**18**	4
Disposals and transfers	**(7)**	(92)	**(5)**	(1)
Changes in the Group	**(11)**	(21)	**(8)**	(32)
Translation differences	**13**	4	**–**	–
***Less:* Depreciation**	**173**	158	**122**	118
At the beginning of the year	**158**	140	**118**	125
Disposals and transfers	**(4)**	5	**(3)**	(13)
Changes in the Group	**(2)**	(5)	**(2)**	(5)
Translation differences	**5**	–	**–**	–
Provided during the year	**16**	18	**9**	11
Net book value	**795**	777	**114**	113
Plant and equipment				
Cost or valuation	**2 438**	2 269	**1 658**	1 803
At the beginning of the year	**2 269**	2 623	**1 803**	2 276
Additions	**386**	238	**165**	173
Disposals and transfers	**(106)**	(445)	**(79)**	(451)
Changes in the Group	**(191)**	(161)	**(231)**	(195)
Translation differences	**80**	14	**–**	–
***Less:* Depreciation**	**1 323**	1 248	**998**	1 033
At the beginning of the year	**1 248**	1 561	**1 033**	1 372
Disposals and transfers	**(83)**	(420)	**(68)**	(400)
Changes in the Group	**(85)**	(86)	**(100)**	(86)
Translation differences	**38**	6	**–**	–
Provided during the year	**205**	187	**133**	147
Net book value	**1 115**	1 021	**660**	770
Total net book value	**1 910**	1 798	**774**	883
Cost of assets which are fully depreciated	**480**	408	**362**	340
Cost or valuation of land included in land and buildings	**592**	586	**31**	15
Insured value of property, plant and equipment	**7 271**	7 036	**5 584**	5 830

Registers containing details of the properties of the Company and its subsidiaries and joint ventures are available for inspection at the registered offices of the companies.

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
10. GOODWILL				
Cost	**654**	501	**417**	417
At the beginning of the year	**501**	432	**417**	419
Additions	**153**	76	**–**	–
Transfers to property, plant and equipment	**–**	(7)	**–**	(2)
***Less:* Amortisation**	**129**	73	**84**	63
At the beginning of the year	**73**	46	**63**	42
Provided during the year	**56**	30	**21**	21
Transfers to property, plant and equipment	**–**	(3)	**–**	–
Net book value	**525**	428	**333**	354
11. INVESTMENTS				
Associated companies				
Unlisted shares at cost				
– Huntsman Tioxide Southern Africa (Pty) Limited	**3**	3	**3**	3
– Kynoch Fertilizer (Pty) Limited	**–**	75	**–**	75
Net indebtedness by associated companies				
– Kynoch Fertilizer (Pty) Limited	**–**	56	**–**	56
– Other	**–**	1	**2**	1
Provision for losses in associated companies			**–**	(29)
Post-acquisition retained income	**84**	31		
Balance at the beginning of the year	**31**	31		
Current year's share of associated companies' retained income	**23**	–		
Reversal on sale of associated company	**30**	–		
Total investment in associated companies	**87**	166	**5**	106
Other investments				
Joint ventures (see appendix 2)			**(1)**	(1)
Shares at cost			*****	*
Net indebtedness			**(1)**	(1)
Available-for-sale assets				
Listed investments at market value	**36**	29	**–**	–
(2000 – at cost)				
Unlisted investments				
Shares at cost less amounts written off	**48**	61	**33**	42
– Botswana Ash (Pty) Limited	**26**	26	**26**	26
– Other	**11**	11	**1**	1
Indebtedness of unlisted investments	**11**	24	**6**	15
Total other investments	**84**	90	**32**	41
Total investments	**171**	256	**37**	147
Directors' valuation	**173**	292	**113**	236

** Nominal value*

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
12. Subsidiaries (see appendix 3)				
Shares at cost less amounts written off			**260**	204
Listed – market value R836 million (2000 – R545 million)			**221**	108
Unlisted			**39**	96
Net indebtedness			**965**	732
Indebtedness of subsidiaries less amounts written off			**1 141**	832
Indebtedness to subsidiaries			**(176)**	(100)
			1 225	936
13. Inventory				
Raw and packing materials	**415**	380	**164**	191
Products and intermediates	**711**	549	**331**	289
Merchandise	**18**	21	**9**	18
Specific plant spares	**35**	39	**30**	37
Other spares and stores	**12**	12	**10**	10
Property developments	**40**	34	**–**	–
	1 231	1 035	**544**	545
14. Accounts receivable				
Trade	**1 219**	1 062	**672**	703
Other	**250**	157	**136**	99
	1 469	1 219	**808**	802
Other includes housing loans to Company directors which bear interest at a rate of not less than five per cent per annum and are payable in full on resignation, retirement or death (figures in rand).				
N C Axelson	**148 000**	148 000	**148 000**	148 000
V C Liddiard	**–**	247 301	**–**	247 301
	148 000	395 301	**148 000**	395 301

	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
15. CAPITAL				
Ordinary shares				
Authorised				
180 000 000 shares of R1 each	**180**	180	**180**	180
Issued				
At the beginning of the year	**155**	155	**155**	155
Shares repurchased during the year	**(62)**	–	**(52)**	–
51 555 605 shares cancelled	**(52)**	–	**(52)**	–
10 311 120 shares held as treasury shares	**(10)**	–		
Issued 377 400 shares during the year	*	–	*	–
At the end of the year	**93**	155	**103**	155
Group 93 177 488 shares (2000 – 154 666 813)				
Company 103 488 608 shares (2000 – 154 666 813)				
Share premium less share issue expenses	**2**	73	**2**	73
At the beginning of the year	**73**	73	**73**	73
Shares repurchased during the year	**(73)**	–	**(73)**	–
Issued during the year	**2**	–	**2**	–
	95	228	**105**	228
Unissued shares under the control of the directors until the next annual general meeting: 76 511 392 (2000 – 25 333 187)	**77**	25	**77**	25
Preference shares				
Authorised and issued				
3 000 000 5.5 per cent cumulative shares of R2 each	**6**	6	**6**	6

In terms of the Company's articles of association all payments of dividends on the preference shares and all payments to be made in respect of the preference shares in the event of liquidation shall be made in pound sterling and calculated as though the shares were one pound sterling each. The capital repayment to preference shareholders, in the event of liquidation is limited to 3 150 000 pound sterling (1.05 pound sterling per share).

** Nominal amount*

	Group		Company	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
16. DEFERRED TAXATION				
At the beginning of the year	**(182)**	(215)	**(174)**	(225)
Transfer from net profit – normal activities	**(2)**	60	**29**	69
– exceptional items	**(82)**	(15)	**(81)**	(8)
Transferred from non-distributable reserve				
– foreign currency translation reserve	**33**	–	**33**	–
Transferred to/(from) long-term provisions (see note 18)	**10**	(12)	**10**	(10)
Changes in the Group	**16**	–	**–**	–
	(207)	(182)	**(183)**	(174)
Analysis by major temporary differences:				
Property, plant and equipment	**128**	162	**90**	141
Provisions	**(248)**	(206)	**(218)**	(177)
Deferred foreign exchange gains	**33**	–	**33**	–
Computed tax losses	**(280)**	(288)	**(232)**	(271)
Other	**10**	10	**8**	7
	(357)	(322)	**(319)**	(300)
Applicable to long-term provisions (see note 18)	**150**	140	**136**	126
	(207)	(182)	**(183)**	(174)
17. LONG-TERM BORROWINGS (SEE APPENDIX 1)				
Unsecured	**1 145**	55	**1 145**	44
Secured	**155**	23	**107**	1
	1 300	78	**1 252**	45
Current portion (see note 20)	**52**	40	**46**	36
	1 248	38	**1 206**	9
18. LONG-TERM PROVISIONS				
At the beginning of the year	**328**	353	**295**	319
Expenditure incurred during the year	**(14)**	(20)	**(13)**	(17)
Provided/(released) during the year – normal activities	**20**	(35)	**20**	(35)
– exceptional items	**36**	8	**36**	8
Transferred (to)/from accounts payable	**(10)**	10	**(10)**	10
Deferred tax relating to current year's movement	**(10)**	12	**(10)**	10
	350	328	**318**	295
Made up as follows:				
Environmental remediation	**194**	170	**192**	168
Post-employment medical aid benefits	**336**	316	**292**	271
Share incentive scheme – benefit units	**–**	2	**–**	2
Current portion included in accounts payable	**(30)**	(20)	**(30)**	(20)
	500	468	**454**	421
Deferred taxation thereon (see note 16)	**(150)**	(140)	**(136)**	(126)
	350	328	**318**	295

	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
19. ACCOUNTS PAYABLE				
Trade	**1 013**	820	**559**	519
Other	**487**	320	**253**	195
Current portion of long-term provisions	**30**	20	**30**	20
	1 530	1 160	**842**	734
20. SHORT-TERM BORROWINGS				
Current portion of long-term borrowings (see note 17)	**52**	40	**46**	36
Other	**264**	1 033	**–**	983
	316	1 073	**46**	1 019
21. BORROWINGS AND CONTINGENT LIABILITIES				
Borrowings	**1 564**	1 111	**1 252**	1 028
Long-term	**1 248**	38	**1 206**	9
Short-term	**316**	1 073	**46**	1 019
Contingent liabilities	**16**	–	**–**	–
Tax dispute	**12**	–	**–**	–
Litigation dispute	**4**	–	**–**	–
Guarantees	**144**	289	**140**	269
	1 724	1 400	**1 392**	1 297
Permitted in terms of articles of association	**2 459**	3 173	**2 459**	3 173
22. COMMITMENTS				
Capital expenditure authorised	**102**	235	**40**	125
Contracted for	**92**	143	**30**	74
Not contracted for	**10**	92	**10**	51
The expenditure will be financed from funds on hand and internally generated, supplemented by borrowings against facilities available to the Group.				
Future rentals on property, plant and equipment leased	**179**	162	**99**	79
Payable within one year	**40**	42	**21**	24
Payable thereafter	**139**	120	**78**	55
	281	397	**139**	204

23. Financial instruments

The Group finances its operations by a mixture of retained profits, short-term borrowings, long-term borrowings and financial instruments such as trade bills denominated in both rand and foreign currencies. The Group also enters into derivative transactions, in order to manage the currency and interest rate risk arising from its operations.

The Group raises long- and short-term borrowings centrally and on-lends to its operating units at market-related interest rates. The Group borrows in both the local and international debt markets in rand and foreign currencies, mainly at floating rates of interest. It uses derivatives where appropriate to generate the desired effective currency and interest rate profile. The derivatives used for this purpose are principally forward foreign currency contracts, cross-currency swaps and forward rate agreements.

The Group does not write interest rate or currency options and only purchases currency options where these are considered to offer a cost-effective alternative to forward foreign exchange contracts. It is Group policy that no financial instruments are purchased or sold unless they relate to underlying commercial transactions.

The main risks arising in the normal course of business from the Group's financial instruments are currency, interest rate, liquidity and credit risk.

(a) Currency risk

The Group's non-South African operations are relatively small in relation to its total operations. Where possible, foreign entities match their assets and liabilities in the same currency to avoid unnecessary currency exposures. However, forward currency markets do not exist in some of the territories in which the Group operates. It is not the Group's policy to hedge foreign currency translation exposures.

Currency risk arises as a result of transactions in a currency other than rand. The currencies giving rise to currency risk are mainly US dollar, Japanese yen, euro, pound sterling, Swiss franc, Swedish krona and Danish krone. Currency exposures are managed using appropriate exposure management techniques. At least 90 per cent of borrowings in foreign currencies are hedged at all times.

The board of directors of each operating unit is tasked with managing the foreign currency exposures arising within its own unit in consultation with the central treasury function. All material purchases and sales in foreign currencies are transacted through the central treasury.

Group	Foreign currency	Foreign amount 2001 millions	2000 millions	Rand amount 2001 millions	2000 millions
23. Financial instruments (continued)					
Transactions in foreign currencies					
Forward exchange contracts at 31 December 2001, relating to specific balance sheet items.					
– Accounts receivable				**227**	219
	US dollar	**14**	15	**166**	113
	Euro	**4**	10	**41**	85
	Pound sterling	**1**	2	**17**	21
	Deutschmark	*****	–	**3**	–
– Accounts payable				**292**	151
	US dollar	**16**	13	**194**	97
	Deutschmark	*****	2	**2**	7
	Euro	**5**	3	**51**	24
	Pound sterling	**2**	2	**34**	19
	French franc	*****	1	**1**	1
	Italian lira	**2**	–	**3**	–
	Swiss franc	**1**	–	**5**	2
	Spanish peseta	**25**	10	**2**	–
	Japanese yen	**–**	8	**–**	1
– Long-term borrowings				**7**	42
	US dollar	**1**	6	**7**	42
– Cash and cash equivalents	US dollar	**–**	–	**–**	–
Forward exchange contracts at 31 December 2001, not relating to specific balance sheet items but which were entered into to cover firm import and export commitments not yet due.	**Imports**				
	US dollar	**5**	5	**57**	37
	Deutschmark	**–**	6	**–**	20
	Euro	**6**	2	**62**	16
	Pound sterling	**1**	–	**17**	5
	Japanese yen	**3**	122	*****	8
	Swiss franc	**–**	1	**–**	5
	Spanish peseta	**26**	3	**3**	–
	Exports				
	US dollar	**–**	–	**3**	3
Other					
Commodity price risk	US dollar	**3**	3	**21**	21
Interest rate risk	Rand	**–**	–	**1**	–

At 31 December 2001 the Group had utilised US$65 million in terms of its syndicated loan facility. This was swapped into R793 million by means of cross-currency swaps at floating interest rates.

23. Financial instruments (continued)

(b) Interest rate risk

The Group borrows extensively in both local and offshore markets to minimise its borrowing costs in rand terms.

Exposure to interest rate risk on borrowings and receivables is managed on a proactive basis. Depending on market conditions, the Group makes appropriate use of forward rate agreements to generate the desired interest profile and to manage exposure to interest rate fluctuations. At 31 December 2001 the Group had entered into forward rate agreements totalling R1 750 million at an average rate of 10.29 per cent, of which R850 million relates to the second quarter of 2002, R800 million to the third and R100 million to the fourth quarter. No target levels of exposure are maintained.

The interest rate risk profile of financial liabilities of the Group by currency, as at 31 December 2001, was:

Currency	Total		Floating rate financial liabilities		Fixed rate financial liabilities	
	2001	2000	**2001**	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions	**R millions**	R millions
Rand						
Short-term	**309**	1 033	**268**	52	**41**	981
Long-term	**1 243**	31	**1 089**	28	**154**	3
US dollar	**10**	42	**–**	33	**10**	9
Other	**2**	5	**2**	4	**–**	1
Total	**1 564**	1 111	**1 359**	117	**205**	994

	Fixed rate financial liabilities Weighted average interest rate %		Weighted average period for which rate is fixed Months	
	2001	2000	**2001**	2000
	5.49	9.98	**50.49**	4.25

23. Financial instruments (continued)

(c) Maturity profile of financial instruments at 31 December 2001

	Within 1 year		2 to 3 years		4 to 7 years		Total	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions	**R millions**	R millions	**R millions**	R millions
Financial assets								
Cash and cash equivalents	**577**	1 037	**–**	–	**–**	–	**577**	1 037
Trade and other receivables	**1 469**	1 219	**–**	–	**–**	–	**1 469**	1 219
Listed and unlisted investments	**125**	63	**–**	164	**46**	29	**171**	256
Total financial assets	**2 171**	2 319	**–**	164	**46**	29	**2 217**	2 512
Percentage profile (%)	**98**	92	**–**	7	**2**	1	**100**	100
Financial liabilities								
Interest-bearing liabilities	**316**	1 106	**1 049**	1	**199**	4	**1 564**	1 111
Trade and other payables	**1 500**	1 131	**–**	8	**–**	1	**1 500**	1 140
Total financial liabilities	**1 816**	2 237	**1 049**	9	**199**	5	**3 064**	2 251
Percentage profile (%)	**59**	100	**34**	–	**6**	–	**100**	100

(d) Carrying amounts and fair values of financial assets and liabilities at 31 December 2001

	Carrying amount		Fair value	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
Financial assets				
Cash and cash equivalents	**577**	1 037	**577**	1 037
Trade and other receivables	**1 469**	1 219	**1 469**	1 219
Listed and unlisted investments	**171**	256	**173**	292
Total financial assets	**2 217**	2 512	**2 219**	2 548
Financial liabilities				
Interest-bearing liabilities	**1 564**	1 111	**1 564**	1 111
Trade and other payables	**1 500**	1 140	**1 500**	1 140
Total financial liabilities	**3 064**	2 251	**3 064**	2 251
Unrecognised gains			**2**	36

23. Financial instruments (continued)

(e) Credit risks

Credit risks arise on cash and cash equivalents, investments and trade receivables. The risk on cash and cash equivalents is managed by only investing with financially sound institutions and by setting prudent exposure limits for each institution. The risk arising on trade receivables is managed through normal credit policy using credit limits, continual review and exception reporting. The exposure to credit risk relating to trade receivables is decentralised with each operating unit managing its own credit control procedures because of the Group's diversified customer base. Adequate provision is made for doubtful debts.

(f) Liquidity risks

The Group manages liquidity risk through the management of working capital and cash flows. A balance between continuity of funding and flexibility is maintained through the use of borrowings from a range of institutions with varying debt maturities. The Group's policy is that not more than 50 per cent of borrowings should mature in any 12-month period. At 31 December 2001, the bulk of the Group's borrowings had a maturity greater than 12 months. The largest component of this was R793 million, which represents the rand equivalent (in terms of cross-currency swaps) of US$65 million drawn down on the Group's three-year syndicated loan facility.

(g) Borrowing facilities

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are in place. The Group maintains a policy of ensuring that expected peak cash flows over the next 12 months are comfortably exceeded by existing facilities in order to preserve operational flexibility.

	Group	
	2001	2000
	R millions	R millions
Borrowing capacity in terms of the articles of association	**2 459**	3 173
Total borrowings	**(1 564)**	(1 111)
Unutilised borrowing capacity	**895**	2 062

Some of the Group's loan agreements contain certain financial covenants. The Group complied with all such covenants at the balance sheet date.

24. Related party information

The subsidiaries of the Group are identified in appendix 3, joint ventures and partnerships in appendix 2 and associated companies in note 11.

The directors are listed in the directors' report.

Income received from associated companies amounted to R23 million (2000 – nil) and there were no loans to associated companies (2000 – R57 million).

25. Directors' emoluments

Executive directors

(R thousands)	**Total**
Basic salary	**2 895**
Bonus and performance-related payments	**1 121**
Other material benefits	**637**
Retirement fund contributions	**150**
Benefits related to retirement	**1 286**
Aggregate emoluments	**6 089**
Less PAYE	**2 324**
2001	**3 765**
2000	**3 218**

Non-executive directors

(R thousands)	
Directors' fees	**271**
Other services	**904**
2001	**1 175**
2000	**320**

26. Employee benefits

The Group provides retirement benefits for all its permanent employees by means of a number of independent defined benefit pension schemes and a defined contribution provident fund.

At 31 December 2001 the following funds were in existence:

	Date of last valuation
Defined benefit funds	
– AECI Pension Fund	1 March 2001
– AECI Employees Pension Fund	1 April 1999
– AECI Supplementary Pension Fund	1 March 2001
– Dulux Employees Pension Fund	1 March 2001
Defined contribution fund	
– AECI Employees Provident Fund	n/a

Members pay a maximum contribution of 7.5 per cent of earnings, with the employer's contribution of 9 per cent being expensed as incurred. The assets of the funds are under the control of the trustees of the respective funds.

All funds are governed by the Pension Fund Act, 24 of 1956, as amended. Defined benefit funds are actuarially valued every three years using the accrued benefit method of valuation by independent firms of consulting actuaries and interim valuations of the major fund are carried out annually.

Membership of each fund and employer contributions to each fund were as follows:

	Pensioner members		**Contributing members**		**Employer contributions**	
	2001	2000	**2001**	2000	**2001**	2000
	Numbers	Numbers	**Numbers**	Numbers	**R millions**	R millions
– AECI Pension Fund	**4 626**	4 677	**2 695**	3 833	**31**	35
– AECI Employees Pension Fund	**2 563**	2 569	**293**	819	*****	1
– AECI Supplementary Pension Fund	**262**	260	**104**	125	**6**	2
– Dulux Employees Pension Fund	**142**	134	**25**	61	*****	*
– AECI Employees Provident Fund	**n/a**	n/a	**6 208**	6 358	**29**	31

Principal actuarial assumptions for the AECI Pension Fund were as follows:

	2001	2000
	%	%
Discount rate	**12.0**	12.0
Expected return on plan assets	**12.0**	12.0
Future salary increases	**8.5**	8.5
Principal actuarial assumptions for the post-employment medical aid benefits were as follows:		
Annual increase in health care costs	**9.0**	9.0
Discount rate	**11.0**	10.5

The position at 31 December 2001 was as follows:	**Defined benefit funds Group**		**Post-employment medical aid benefits Group**	
	2001	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions
Present actuarial value of obligations	**3 395**	3 521	**445**	316
Actuarial value of plan assets	**3 967**	3 714	**–**	–
Net asset/(liability)	**572**	193	**(445)**	(316)

Details of the movement during the year relating to the post-employment medical aid benefits is disclosed in note 18. In relation to the post-employment medical aid benefits liability, the transitional provision afforded by AC116 (Revised), "Employee benefits", has been adopted. The remaining liability will be provided for on a straight-line basis over the next four years.

The defined benefit asset has not been recognised due to the outstanding Regulations to be promulgated in terms of the Pension Fund Amendment Act, 2001.

The assets of all funds consist primarily of equities, interest-bearing stock, cash and deposits and fixed property.

n/a Not applicable
** Nominal amount*

26. Employee benefits (continued)

Share option scheme

In 2001 the Company converted its share incentive scheme (benefit units) to a share option scheme.

AECI Limited offers share options, without payment, to those employees of the Company or its subsidiary companies who the Board of directors, in its absolute discretion, considers play a significant role in the management of the Company or subsidiary companies and contribute to their growth and profitability.

Participants are entitled to exercise their options as follows:

After 2 years – up to 20 per cent of the shares
After 3 years – up to 40 per cent of the shares
After 4 years – up to 60 per cent of the shares
After 5 years – up to 100 per cent of the shares

If an option is not exercised within 10 years from the date such option was granted, it will lapse.

If a participant retires on pension, or otherwise leaves the employ of AECI Limited or one of its subsidiary companies for a reason approved by the Board of directors, the participant shall nevertheless continue to have the same rights and obligations under the scheme in respect of the participant's options as if the participant had remained in the employ of the Company or subsidiary company.

In the event that the participant ceases to be an employee otherwise than as a result of death, retirement on pension or other reason approved by the Board of directors, any option not yet exercised will lapse.

Details of outstanding share options at 31 December 2001:

		Number of shares			
Expiry date	Exercise price	Granted	Exercised	Lapsed	Outstanding
31 December 2008	R4.50	4 703 000	334 400	60 000	4 308 600
31 December 2009	R7.00 – R15.80	410 000	43 000	104 000	263 000
31 December 2010	R11.45 – R13.78	502 000	–	32 000	470 000
		5 615 000	377 400	196 000	5 041 600
Included in outstanding share options are the following options granted to executive directors:					
N C Axelson	R4.50	350 000	–	–	350 000
L C van Vught	R4.50	500 000	–	–	500 000
		850 000	–	–	850 000

Note:

The benefit units expiring on 31 December 2008 were issued in November 1998 at an exercise price of R10.50. The exercise price was reduced to R4.50 in 1999 following the special dividend of R6.00 per share paid to ordinary shareholders in that year.

27. Industry segment analysis

	Revenue		Net trading profit		Depreciation	
	2001	2000	**2001**	2000	**2001**	2000
	R millions	R millions	**R millions**	R millions	**R millions**	R millions
Class of business						
Mining solutions	**1 474**	1 254	**142**	116	**71**	63
Specialty chemicals	**2 415**	1 955	**232**	200	**46**	36
Specialty fibres	**1 717**	1 355	**161**	128	**62**	48
Property	**149**	139	**9**	33	**3**	4
Other businesses	**1 002**	1 084	**22**	27	**22**	25
Group services, development and intergroup	**(54)**	(179)	**(73)**	(62)	**11**	7
	6 703	5 608	**493**	442	**215**	183
Discontinued businesses	**42**	401	**(1)**	32	**6**	22
	6 745	6 009	**492**	474	**221**	205

	Total assets		Total liabilities		Capital expenditure	
Class of business						
Mining solutions	**1 156**	1 049	**269**	229	**94**	43
Specialty chemicals	**1 450**	1 001	**538**	359	**93**	39
Specialty fibres	**1 287**	943	**342**	255	**214**	114
Property	**706**	709	**31**	43	**1**	28
Other businesses	**455**	654	**233**	251	**20**	28
Group services and development	**81**	(9)	**85**	(22)	**1**	4
	5 135	4 347	**1 498**	1 115	**423**	256
Discontinued businesses	**–**	133	**2**	25	**1**	15
	5 135	4 480	**1 500**	1 140	**424**	271

Geographical segmental analysis	Revenue		Total assets		Capital expenditure	
Region						
Republic of South Africa	**4 961**	4 819	**4 532**	4 140	**260**	242
Rest of Africa	**681**	331	**283**	222	**26**	9
Europe	**370**	324	**–**	–	**–**	–
North America	**224**	213	**320**	118	**138**	20
South America	**136**	118	**–**	–	**–**	–
Rest of the world	**373**	204	**–**	–	**–**	–
	6 745	6 009	**5 135**	4 480	**424**	271

Assets consist of property, plant and equipment or goodwill, inventory and accounts receivable. Liabilities consist of accounts payable excluding current portion of long-term provisions.

APPENDIX 1
Long-term borrowings

	Weighted closing interest rate %	Group 2001 R millions	Group 2000 R millions	Company 2001 R millions	Company 2000 R millions
Unsecured					
Local					
Loans					
1998/2012	9.00	**3**	3	**3**	3
2001/2004[1]	11.14	**943**	–	**943**	–
2001/2006	5.20	**190**	–	**190**	–
Repaid		**–**	11	**–**	–
Foreign[2]					
Loans					
US dollar					
1995/2004	6.03	**9**	8	**9**	8
Repaid		**–**	33	**–**	33
Secured					
Local					
2001/2006[3]	8.68	**103**	–	**103**	–
Loans – other[4]	14.16	**50**	21	**4**	1
Foreign					
Loans – other		**2**	2	**–**	–
		1 300	78	**1 252**	45

(1) Includes R793 million being the rand equivalent of US$65 million hedged by means of cross-currency swaps, included as local borrowings in the summary of repayments below.
(2) At 31 December 2001 (and in 2000) all the foreign currency denominated loans were fully hedged against exchange rate fluctuations.
(3) Secured over plant and equipment having a net book value of R97 million.
(4) Secured in terms of capitalised finance lease agreements over plant and equipment having a net book value of R24 million (2000 – R27 million) and mortgage over property having a net book value of R26 million (2000 – nil).

Summary of repayments

R millions	Year	Local	Foreign	Total
	2002	47	5	52
	2003	48	4	52
	2004	995	2	997
	2005	50	–	50
	2006	119	–	119
	After 2006	30	–	30
		1 289	11	1 300

APPENDIX 2
Significant joint ventures and partnerships

	Effective percentage held by AECI Limited 2001	2000
AECI Bioproducts Partnership (sold 30 June 2001)	**–**	60
ONDEO Nalco SA (Pty) Limited	**36**	34
Resinkem (Pty) Limited	**36**	34
Specialty Minerals South Africa (Pty) Limited	**36**	34
Unifi-SANS Technical Fibers LLC	**50**	50

	2001 R millions	2000 R millions
The aggregate of proportionately consolidated amounts included in the consolidated results is as follows:		
Balance sheets		
Property, plant, equipment and investments	**234**	252
Current assets	**141**	138
Total assets	**375**	390
Equity	**265**	297
Long-term borrowings	**4**	10
Current liabilities	**106**	83
Total equity and liabilities	**375**	390
Income statements		
Revenue	**342**	270
Net trading profit	**5**	5
Net loss	**(3)**	(5)
Exceptional items	**(4)**	–
Cash flow statements		
Cash generated by operations	**60**	41
Financing costs	**(4)**	–
Taxes paid	**(5)**	(6)
Changes in working capital	**(16)**	1
	35	36
Dividends paid	**6**	2
Cash retained from operating activities	**29**	34
Cash utilised in investing activities	**(148)**	(3)
(Increase)/decrease in funding requirements	**(119)**	31
Commitments		
Capital expenditure authorised	**37**	84
Future rentals on property, plant and equipment leased	**3**	21
	40	105

APPENDIX 3
Principal consolidated subsidiaries

	Issued share capital	Effective shareholding		Interest of AECI Limited#			
				Shares		Net indebtedness	
	2001	**2001**	2000	**2001**	2000	**2001**	2000
	R	**%**	%	**R millions**	R millions	**R millions**	R millions
Listed							
Specialty chemicals							
Chemical Services Limited	**8 153 143**	**71**	68	**221**	108	*****	*
Unlisted							
Biotechnology							
AECI Bioproducts (Pty) Limited	**–**	**–**	60	**–**	*	**–**	*
Holding companies							
AECI Treasury Holdings (Pty) Limited	**200**	**100**	100	*****	*	**119**	*
African Explosives Holdings (Pty) Limited	**43 312**	**100**	100	*****	*	**–**	–
Athena Paint Investments S.A.[2]	**230 000**	**100**	100	*****	*	*****	*
Capex (Pty) Limited	**10 000**	**100**	100	*****	*	**–**	–
Quartermain Limited[3]	**–**	**–**	100	**–**	3	**–**	–
Insurance							
AECI Captive Insurance Company Limited	**810 000**	**100**	100	**11**	11	**–**	–
Mining solutions							
African Explosives Limited+	**100**	**100**	100	*****	*	**–**	–
Paints and allied products							
AECI Coatings (Pty) Limited	**–**	**–**	80	**–**	24	**–**	120
Dulux (Pty) Limited+	**4**	**100**	100	*****	*	**–**	–
Dulux Botswana (Pty) Limited[1]	**1 150**	**100**	100	*****	*	**1**	1
Dulux Limited (Malawi)[4]	**500**	**100**	100	*****	*	**2**	1
Property							
Heartland Properties (Pty) Limited	**1**	**100**	100	*****	*	**105**	30
Other				**4**	4	**379**	469
Specialty chemicals							
Directly held							
AECI Aroma and Fine Chemicals (Pty) Limited+	**100**	**100**	100	*****	*	*****	*
Indirectly held							
AECI Coatings (Pty) Limited	**1 000**	**57**	–	**–**	–	**14**	–
Akulu Marchon (Pty) Limited	**410 000**	**71**	68	**–**	–	**–**	–
Atlas Consolidated Industries (Pty) Limited	**200**	**71**	68	**–**	–	**–**	–
Chemical Initiatives (Pty) Limited	**1**	**71**	68	**–**	–	**–**	–
Chemoleo (Pty) Limited	**200 000**	**71**	68	**–**	–	**–**	–
Chemserve Perlite (Pty) Limited	**800 000**	**71**	68	**–**	–	**–**	–
Chemserve Polymer Sciences (Pty) Limited	**800 000**	**71**	68	**–**	–	**–**	–
Chemserve Systems (Pty) Limited	**1 250 000**	**71**	68	**–**	–	**–**	–
Chemserve Technical Products (Pty) Limited	**26 790**	**71**	68	**–**	–	**–**	–
Chemserve Trio (Pty) Limited	**150 000**	**71**	68	**–**	–	**–**	–
Crest Chemicals (Pty) Limited	**47 000**	**50**	47	**–**	–	**–**	–
Industrial Oleochemical Products (Pty) Limited	**4 001**	**71**	68	**–**	–	**–**	–
Metswako Chemicals (Pty) Limited[1]	**3 000**	**71**	–	**–**	–	**–**	–
Pelichem (Pty) Limited	**50 000**	**71**	68	**–**	–	**–**	–
Plaaskem (Pty) Limited	**400**	**71**	68	**–**	–	**–**	–
Plastamid (Pty) Limited	**32 000**	**71**	68	**–**	–	**–**	–
S.A. Paper Chemicals (Pty) Limited	**220 443**	**71**	68	**–**	–	**–**	–
Specialty fibres							
SANS Fibres (Pty) Limited+	**17 979 433**	**100**	100	**8**	8	**(11)**	(11)
SANS Fibers Incorporated[5]	**365**	**100**	100	**–**	–	**307**	100
Other				**16**	46	**49**	22
				260	204	**965**	732

 # Cost less amounts written off
+ Trading as an agent on behalf of AECI Limited
** Nominal amount*
All companies are incorporated in the Republic of South Africa except for the following:
[1] Botswana [2] Grand Duchy of Luxembourg [3] British Virgin Isles
[4] Malawi [5] United States of America

NOTICE TO SHAREHOLDERS

Notice is hereby given that the 78th annual general meeting of shareholders of AECI Limited will be held on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, on 27 May 2002 at 09:15 for the following purposes:

1. to receive and consider the balance sheets, income statements and reports of the directors and independent auditors for the year ended 31 December 2001;

2. to elect directors in place of those retiring;

3. to consider and resolve, if deemed fit, to continue to place the unissued authorised shares in the capital of the Company under the control of the directors, subject to such limitations as are imposed by the Companies Act, 1973, and the rules of the JSE Securities Exchange SA;

4. to transact any other business which may be transacted at an annual general meeting.

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and speak and vote in his/her stead. A proxy need not be a member of the Company.

By order of the Board

M J F Potgieter
Secretary

Sandton, 25 February 2002

MAJOR LAND HOLDINGS

	Extent in hectares	
	2001	2000
Bellville	**25**	25
Milnerton	**63**	63
Modderfontein	**3 791**	3 994
Potchefstroom	–	68
Richards Bay	**50**	50
Somerset West	**907**	971
Umbogintwini	**693**	718
Welkom district	**335**	335

In addition, the Group owns smaller industrial sites as well as residences situated near manufacturing sites.

FORM OF PROXY

AECI LIMITED

(Incorporated in the Republic of South Africa)
(Registration number 1924/002590/06)
("AECI" or "the Company")

For use by ordinary shareholders of AECI ("shareholders") at the annual general meeting of the Company on the Ground Floor, AECI Place, 24 The Woodlands, Woodlands Drive, Woodmead, Sandton, on Monday, 27 May 2002, at 09:15 ("the general meeting").

I/We

(name in block letters)

being the holder/s of __________ shares in the Company, do hereby appoint

1. or failing him/her

2. or failing him/her

3. the Chairman of the general meeting

as my/our proxy to act for me/us and on my/our behalf at the general meeting which will be held for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat and at any adjournment thereof, and to vote for or against the resolutions and/or abstain from voting in respect of the shares registered in my/our name/s, in accordance with the following instructions (see note 2):

	Number of votes on a poll (one vote per share)		
Resolutions	**For**	**Against**	**Abstain**
1.			
2.			
3.			
4.			

Signed at (place) on (date) 2002

Signature

Assisted by me (where applicable)

(Note: A shareholder entitled to attend and vote is entitled to appoint a proxy to attend, speak and vote in his/her stead on a show of hands and on a poll, and such proxy need not also be a shareholder of the Company.)

Please read the notes on the reverse side hereof.

NOTES TO THE FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space/s provided, with or without deleting "the Chairman of the general meeting", but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy and who is present at the general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate box provided. Failure to comply with the above will be deemed to authorise the proxy to vote or to abstain from voting at the general meeting as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obligated to use all the votes exercisable by the shareholder or by his/her proxy, but the total of the votes cast and in respect of which abstention is recorded may not exceed the total of the votes exercisable by the shareholder or by his/her proxy.

3. This duly completed form of proxy must be received by the Company's transfer secretaries by not later than 09:00 on Friday, 24 May 2002.

4. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the general meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof.

5. Documentary evidence establishing the authority of a person signing this form of proxy in a representative or other legal capacity must be attached to this form of proxy unless previously recorded by the Company's transfer secretaries or waived by the Chairman of the general meeting.

6. Any alteration or correction made to this form of proxy must be initialled by the signatory/ies.